

Splitting up is hard to do



Hong Kong Investors develop a taste for China



Monday interviewo David Geffen renaissance man



Samuel Brittan UK exposure to international trade

FINANCIAL TIMES

Europe's Business Newspaper

as trucks reach **Bosnian Moslems**

The UN refugee agency is to resume full operations in Bosnia after receiving assurances that the three warring factions would no longer block aid. The decision came hours after a relief convoy reached Zepa, a Moslem stronghold in eastern Bosnia, which had been blocked for days by Bosnian Serb commanders, Page 2

Rocard plan wins support: Most French Socialists and ecologists support the proposals of Michel Rocard, former prime minister, for the creation of a new centre-left alliance, according to the latest opinion poll. Page 14

CS First Boston, US global investment bank, earned pre-tax profits of \$277m, up from \$266m in 1991, hut suffered an unusually heavy tax hurden, bringing net profits down to \$175m. Page 15

Ukraine begins sell-off: The first of Ukraine's privatisation auctions took place at the weekend, resulting in the sale of 17 small restaurants, shops and businesses in the western city of Lvov. The state still owns 94 per cent of the economy.Paga14

RWE, one of Germany's largest industrial groups, saw nel profits slip fractionally in the six months to December to DM395m (\$241m) from DM398m a year earlier, Page 17

Warning to German car industry: German carmakers face five bleak years, according to David Herman, new chairman of Adam Opel, who warned that husiness confidence was near postwar lows, Page 14

European Monetary System: Although the French franc remains at the bottom of the exchange rate mechanism grid, its performance continues to be stable. The French currency is comfortably above its floor against the D-Mark and concerns of an imminent devaluation have eased. There has been some pressure on the Spanish peseta, but this has been countered by interven-Hon from Spain's central bank. Attention is on the D-Mark and its relationship with the US dollar as some economists interpret the recent fall in German money supply as signalling a possible early cut in hiterest rates. However, many believe the 2.3 per cent slide in M3 supply to be the by-product of a technical rebasing. Currencles, Page 29

EMS: Grid

irish Punt

Escudo

B.Franc

Guilder

D-Mark

D. Krone

F.Franc

February 19, 1993

2.25%

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portugues

vscudo operate with 6 per cent fluctuation bands. UN to send inspectors to Iraq: The UN announced a surprise weapons inspection visit to Iraq, saying experts would fly in at dawn today.

ANC shift on sanctions: The African National Congress has relaxed its policy on sanctions against South Africa hut says they should remain until a date has been set for multiracial elections.

Pinault, French retail group, is considering the sale of Prisunic, one of France's largest store chains, as part of efforts to raise capital after its takeover of the Au Printemps stores group.

US Middle East tour: Palestinians expelled by Israel have accused US secretary of state Warren Christopher of ignoring their plight during his tour of the Middle East which is aimed at reviving regional peace talks. Page 5

Elkem, troubled Norwegian light metals producer, revealed sharply increased net losses in 1992 to NKr616m (\$89m) from NKr443m - and said it would omit its dividend for the third year. Page 17

IG Metail warned on pay demands: IG McIall, German engineering union, will cause further unemployment by insisting on high wage rises, the president of the engineering association warned. Page 2

UK is 'Europe's bargain basement': Following the devaluation of sterling. British food, drink and consumer products are 17 per cent cheaper than the average in 14 European countries, a survey has found. Sweden is the

most expensive European country, Page 7 Air Canada's 1992 net losses rose to C\$454m (US\$361m), compared with losses of C\$218m the year before, largely because of heavy fare discounting and restructuring charges. Page 17

Metsä-Seria, Finnish forestry group, cut losses after financial items to FM290m (\$49m) in 1992. less than half the previous year's deficit, thanks be cost-cutting, improved efficiency and the falling markka. There will again be no dividend. Page 17

BSM Group, uwner of the British School of Motoring, is in advanced discussions to obtain a listing on the London stock exchange later this year. The value of the share offering may be about £50m (\$70m). Page 15

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UN aid to resume Steel industry may have to lose 100,000 jobs as trucks reach

By Quentin Pesi in Düsseldori

WESTERN EUROPE'S steel industry may be forced to cut more than 100,000 jobs in its latest market crisis, more than dou-ble the estimate of the European Commission, according to the German steel federation.

Social spending to ease the hurden of redundancies would have to he substantially increased, and protection from cheap eastern European imports ensured to enable the industry to restructure. Mr Ruprecht Vondran, president of the fed-

eration, said in an interview. At the same time, the head of Germany's second largest steel producer, Krupp-floesch, said he believed it was "perfectly realis-tic" to consider quitting the steel Industry altogether, if "radical measures" were not taken to meet the crisis.

Mr Gerhard Cromme, chief executive of Fried. Krupp AG Hoesch-Krupp, which is in the process of merging the steelmaking operations of Krupp Stahl and Hoesch Stahl, told Der Splegel magazine the country's leading steelmakers must

He refused to predict which German steel companies would outlive the latest crisis, but said that even tha three strongest – Thyssen, Krupp Hoesch and Preussag – would have long-term survival prospects only if "all the opportunities are used for the best possible co-opera-

The grim forecast for the likely job losses in the entire European industry was made by Mr Vondran in a mea to Brussels to reconsider the funds available for social programmes.

He said the European Commission's plan to spend Ecu240m (\$283m) to ease the mass redundancies would be inadequate, with Germany alone facing joh losses of 35,000-40,000 in both

halves of the country.

At the same time he urged a stern regime to limit state subsidies to loss-making producers, especially in Italy and Spain, and restrictions on cheap steel imports from eastern Europe.

Mr Vondran rejected the Com-mission's proposal for agreed minimum prices for east Euro-

steel dumping, helieving it would be ineffective. He suggested an import ceiling on the most seositive steel products of 1991 import

levels, plus 20 per cent. EC industry ministers meet in Brussels this week when a rescue package will be presented by the Commission, calling for capacity cuts of up to 30m tonnes, in exchange for social spending, and some form of protection from imports.

The mood in the German industry was graphically under-lined by Mr Cromme, whose com-

Siegen and Hagen, making steel sections, and the inevitable closure of at least one integrated steel plant in either Dortmund of Duishurg-Rheinhausen.

Asked in his interview whether the idea of pulling out of steel production altogether was "thinkable" for Krupp-Hoesch, he said: "That is a perfectly realistic idea. I do hope, however, that we will be able to avoid any such step by taking a series of radical

Steel crisis plan, Page 3

Italian PM reinforces government by adding some political heavyweights

Amato wins reprieve with cabinet reshuffle

By Halg Simonlan in Milan

ITALY'S shaky eight-month-old government yesterday survived its biggest political test with a cabinet reshuffle following the resignations on Friday of two senior ministers over the growing political corruption

However, the skill and patience of prime minister Giullano Amato were stretched to the limit. Mr Amato met fellow ministers in his four-party coalition for four hours before agreement was reached on the new

cabinet. The prime minister used the resignations of Mr Giovanni Goria and Mr Francesco De Lorenzo, the finance and health ministers respectively, to reinforce his government's standing hy adding some political heavy-

weights. However, Mr Amato failed in his ambition to broaden the government's political base because of the opposition of parties, such as the Republicans, to join a government scarred by the corruption investigations.

Mr Amato hopes his swift action will restore calm to finan-cial markets today after the frantic scenes following Friday's resignations. The lira, which had been losing ground against leading currencies throughout last week, slid to L957 against the D-Mark, while government bond prices tumbled.

The reshuffle probably means Mr Amato's government has won a reprieve until new electoral

Milan shows no mercy on kickbacks

laws, under discussion by a special parliamentary committee,

The laws, which should increase the chances of stable parliamentary majorities, are also subject to popular referendums, which could be held as early as April.

Mr Nino Andreatta, a senior Christian Democrat and former minister, takes over as hudget minister from Mr Franco Reviglio, the Socialist who is moving to the finance portfolio vacated hy Mr Goria.

Meanwhile, Mr Raffaele Costa, the former minister for regional policy and European Community affairs, steps up to hecome health minister, while his previous joh goes to Mr Gianfranco

Negotiations yesterday were



Italy's new line-up: (from left) Rafaele Costa, Franco Reviglio, Nino Andreatta, Paolo Baratta and Gianfranco Ciaurro during the swearing-in ceremony yesterday

protracted partly because of the surprise refusal of Mr Giuseppe Guarino, the industry minister,

to step down. Mr Amato had hoped to remove Mr Guarino hecause of his refusal to go along with ambitious privatisation plans. Instead, Mr Amato appointed Mr Paolo Baratta, his planned successor, to a new ministerial job, with responsibilities for privatisation formerly held hy the industry

Separately, Mr Carlo Ripa di Meana, the environment minister and former European commissioner, said he was leaving the Socialist party for the Democratic Alliance being formed by some politicians and intellectu-

The corruption scandal contin

ued to spread at the weekend. Mr Antonio Cariglia, chairman of the small Social Democratic party which forms part of the governing coalition, was informed by magistrates that he is under investigation over alleged kick-

backs linked to the new port of

Manfredonia. Last week, Mr Paolo Clrino Pomicino, a senior Christian Democrat and minister in the previous government, was dvised he was under investigation on similar grounds.

Meanwhile investigations in Milan into the Enel state electriclty generating group continued with the arrest of a former Republican MP. Separately, Mr Giacomo Clerici, the elderly chairman of the hig CoeClerici shipping group, admitted to magistrates that his company and a shipping subsidiary of the Ferruzzi group had paid L1hn (\$647,000) to the Christian Democrat and Socialist parties in

return for shipping contracts for

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oil for Enel power stations.

UK defends stance on Leyland Daf rescue

By Ronald van de Krol in Amsterdam and Richard Donkin and Ralph Atkins in London

MR Michael Heseltine, the UK trade and industry secretary, defended his decision to put his faith in the receivers of Leyland Daf yesterday after the Belgian and Dutch governments agreed a rescue package for the parent truck company that excluded its three British plants.

The resurrection of the truckmaker as a new slimmed-down company backed by fresh equity and injections of capital from the Belgian and Dutch governments contrasted with Mr Heseltine's refusal to pledge financial sup-port for the company's UK operations. "I don't believe that intervening with money produces long-term solutions," he

As union leaders and opposition party members criticised his stance, Mr Heseltine appeared confident that what he called "the market solution" led hy administrative receivers would secure a future for the remaining

British factories. The receivers of Levland Dat said inclusion of the British plant in the new company would have offered a "fast track solntlon" for the UK snbsidiary. They would now concentrate on talks with potential purchasers. Talks should be strengthened, however, by potential outlets for

Continued on Page 14 Dutch rescue keeps Daf on the road. Page 12

US anti-dumping study

By David Dodwell in London

A WIDE study of the possible cost to the US economy of antidumping actions, commissioned as one of the final acts of Mrs Carla Hills, former US trade representative, appears set to provoke a storm of controversy among protected US industries. and embarrassment for the new Clinton administration.

The demand for the study was described by one senior US trade official as "potentially nuclear" in its implications, pitching powerful domestic industries such as cars, steel and textiles against US exporters and consumers, all of

sure from domestic industry lobbies to use dumping laws fully to protect US companies against unfair competition".

recently over the economic effects of anti-dumping duties and linked import restraints.

Studies hy the World Bank, and in the US by the Heritage Foundation and the Brookings Institution, have concluded that antidumping actions - duties and fines against allaged sales of products at below-cost prices represent a creeping protectionism which raises costs and hurts US competitiveness rather than

beloing the US economy. Adding to possible controversy hetween advocates and opponents of dumping actions, the letter was sent just five days before Mrs Hills stepped down from office a month ago, and was not received hy Mr Don Newquist, chairman of the FTC, until January 25 - five days after she was succeeded by Mr Mickey Kantor.

Mr Clinton's appointee. To avoid being countermanded hy Mr Kantor, ITC commissioners have asked him to confirm that he is willing to endorse Mrs Hills' instructions. He is expected to do so, hut will be under pressure to ensure the study also

Mrs Hills called for a study of "the net economic welfare of the US° arising from dumping and countervailing duty actions. She required an examination of effects on:

tioned for protection; The income and employment of US workers:

likely to provoke row

whom have to pay higher prices because of such duties. It could embarrass President Bill Clinton, who is under strong

Mrs Hills said in the letter of instruction to the International Trade Commission, the administration's main trade protection body, that she had called for the study because of the "considerable public debate" stirred takes note of domestic industries arguments on the supposed advantages of dumping laws

Users of products subject to dumping duties often complain they result in higher costs, making it harder to remain internationally competitive. Controversy has grown recently following the US imposition of dumping duties on steel exporters from 19 countries, and threats to impose them on motor vehicle imports.

• Industries which have peti-

• US consumers - from shoppers to companies that use affected products as inputs to other production; US parts and components pro-

if you invest before 26th March 1993. Callfree 0800 282465 today for further details. The study must be finished by January 1995, and is among the most amhitious ever demanded of the ITC. To: Morgan Grenfell Investment Funds Limited, 20 Finsbury Circus, London EC2M 1817. Please send me details of the Morgan Grenfell UK Equity Income Unit Trust D. UK Equity Income Unit Trust PEP D CONTENTS Markets FT World Actuaries Poucode World Stock Markets... 20 Foreign Exchanges 29 Int. Bond Service 16 TV and Radio _____ 11 Please remember that the price of units and the income from them may fall as well as rise, and you may not get back the Managed Funds _ 25-29Section 3 no income reinvested, all periods to 8.2.93," as at 9.2.93. Issued by Morgan Grenfell Investment Funds 1 td, 20 Finsbury Circus, London ECZM UIT. Member of IMRO, Morgan Grenfell Investment Funds I inited is an appointed representative of Morgan Grenfell Unit Trust Managers I td, Member of IMRO, I AUTRO and the UTA.

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UN refugee agency relents on Bosnia aid

By Laura Silber in Belgrade and Reuter in Geneva

THE United Nations High Commissioner for Refugees yesterday said full operations would be resumed in Bosnia-Hercegovina following assurances that the three warring factions would no longer block aid convoys or distribution.

A statement from Ms Sadako Ogata's office said she had agreed with Mr Boutros Boutros Ghali. UN secretary-general, that operations would resume "as soon as possible, perhaps as early as Monday". The decision came bours after a 10-truck convoy carry-ing 72 tonnes of aid reached

Zepa, a Moslem stronghold in eastern Bosnia. Bosnian Serb commanders had given way to international pressure for the delivery of emergency aid to Moslem enclaves besieged by Serb forces.

The commanders said the convoy, stranded for five days, could pass at its own risk. It crawled along a winding snowcovered route, which was reported to have been mined, to reach Zepa yesterday after-

It carried wheat flour and family parcels and was only the second UNHCR convoy to reach the village, whose popu-lation has been swollen by refugees fleeing Serb "ethnic the war erupted 10 months ago. The successful mission follows a week of confusion in the international community over

how to distribute aid in Bosnia. In the hope of winning Serb permission for aid to reach government strongholds in eastern Bosnia, Mr Alija Izethegovic, the Moslem president of Bosnia, announced a ceaselire at the weekend.

The announcement followed reports of an advance by Serb forces, besieging Sarajevo on the western edge of the Bosnian capital.

stranglehold of eastern Bosnia. But UN commanders in Bosnia yesterday were sceptical about the idea. It raised many prob-The convoy reached Zepa after US President Bill Clinton lems, including securing the said he was considering mak-

An old man hunts for food among one of the many rubbish dumps appearing on Sarajevo's streets co-operation of all parties to ing air drops to the 100,000

the conflict.
Meanwhile, in the poor for-Moslems trapped by the Serb mer Yugoslav republic of Macedonia, 300 policemen fired tear gas and batons to disperse hundreds of Macedonians gath-

ered in Skopje, the capital, to gees from the Bosnian war. Several people were injured in the clashes, which began on

proposal which he has put to the European Bank for Recon-struction and Development for

But the real problem will be

getting assistance for manag

ers who may be open to change

Mr Rubtsov, as head of the

Russian management consul-tants' association, is trying to

enlist European Community

educating hundreds of Russian

consultants to provide afforda-

ble management advice for

enterprises. All agree that

training in Russia is not only

cheaper but more effective. "If they go abroad, they want to

waste time shopping," says

Recognising in the meantime

that political pressures will

continue for more funds, Mr

Rubtsov, who is also a member

funds to "train the trainers"

possible financing.

but cannot afford it.

protest against the building of houses to settle Moslem refu-

EC attempts to avert crisis in fishing industry

vesterday said it would propose measures to avert a crisis in the EC's fishing sector caused by cheap imports and currency turmoil, Reuter reports from Brussels

After a meeting between eries officials in Brussels, the Commission said the measures to "improve prices" would be drawn up by EC Fisheries Commissioner Yannis Paleokrassas and presented by the Commission - probably by mid-week.

Prices had fallen hy 15 to 30 per cent across the Community, and cheap imports from Russia, Norway and Iceland, as well as currency fluctuations in the EC, had aggravated trou-bles in the industry, the Commission said.

Mr Paleokrassas' staff were studying the options and would seek further information when fisheries officials and industry representatives from the 12 EC countries meet for a new round of talks in Brussels

The French government

(\$48m) on Friday to bail out the worst-hit fishing families and help fishing companies. after week-long protests by fishermen who blamed their plight on cheap fish from Russia and Chile and accused British ports of selling fish below EC minimum prices. Fisbermen, particularly in north-western Brittany, high

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lighted their case by tipping fish on to roads or handling them out free. They also burned tyres in fishing ports. The problem appeared to be

more acute in France because of the slide against the franc of the currencies of Spain and Italy, two big customers for French fishermen. French fishermen were more vulnerable because they could

not rely on freezing their catches, thanks to the pen-chant of the French for fresh fisb. "If you freeze fisb you could hold out sometimes...but in France people want fresh fish, as opposed to Denmark" where people ate a lot more frozen fish, a Commission official said.

France set

for more postal chaos

By Alice Rawsthorn in Paris

THE French postal service is poised for further disruption this week as post office trade unions try to step up industrial action that created chaos for the mail last week.

Four of the largest postal unions will this morning bold mandatory meetings for members across France to discuss the next stage of their industrial action against the post office's proposals to cut 3,000 obs this year.

Escalation of the dispute would be a hlow to the Socialist government, which also faces protests from farmers and fishermen ahead of next month's parliamentary poll.

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Managers are left behind on way to market Russian management is ill-equipped for the move away from managers in the oil industry, a

of frenetic economic reform, the Russian government and western aid donors have yet to tackle a desperate need for management skills to help the state-owned economy switch to a market

The problem was officially recognised for the first time by Mr Boris Fyodorov, the new deputy prime minister for economics, when be said last month that inefficient managers of state-owned enterprises would have to be "helped" to change their ways or go.

Until now the government, focusing on price liberalisation and privatisation plans, has simply bectored managers for not adjusting to new conditions and attacked the central bank for pumping credits into inefficient enterprises. Apart from frequently changing the rules of the game on tax and trading, it has also failed to remove some of the old restrictions which prevent the Russian manager from acting like a western chief executive.

Only a minority of managers, long used to receiving orders from above, have tried to learn the ways of their capitalist a command economy to capitalism, reports Leyla Boulton counterparts. Others, motivated by ignorance or fear, have contented themselves

with lobbying the authorities for extra "working capital" and the write-off of their debts to one another. "Some officials and industrialists have this idea that indexing working capital can solve the problems of enterprises. But they are fighting with the symptoms rather than the cause of the problem - which is bad management," says Mr Alexander Rubtsov, head of Ernst & Young's Russian management and accounting joint

venture, Vneshconsult. As a result, few managers are equipped to make a success of large-scale privatisation which is due to affect 6,500 enterprises this year.

Dr Znhaidur Rahman, of Deloitte Touche in Moscow, says the biggest problem is an absence of management accounting - or the process of gathering information needed to take decisions about present and future business

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wasn't difficult enough,

now society is changing

the rules

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After seven decades in which there was no need for western-style management because decisions were made by central planners and prices were fixed by the state, he says most managers cannot calculate or monitor their costs properly (not-withstanding the additional

complication of very high inflation now raging in Russia). Most enterprises have only a faint idea of the time-value of money. Hence the loud com-

plaints by managers about for work, risk-taking, and free annual interest rates of 83 per cent being far too high despite the fact that inflation last year was about 2,000 per cent. A primitive banking system aggravates cash-flow management problems.

Another hig problem is the lack of sales teams at enterprises and of a developed dis-

But Mr Rubtsov is optimistic that young Russians, "hungry

SKILLS NEEDED BY ENTERPRISES:

- Cost control
- Marketing and distribution
- Cash flow management

TASKS FOR GOVERNMENT:

- Efficient banking system
- Cut bureaucracy and provide stable tax and legislative environment
- Allow for faster depreciation of assets

been ushered in by older men, like Mr Viktor Korovin, the 40rear-old manager of heavy engineering giant Uralmash. Other pioneers include Mr Nikolai Bekh, general director of Kamaz, the truck maker transformed into a joint-stock company a few years ago as a government-sponsored experi-ment in capitalism. While most of his colleagues

of prejudices from the past"

of enterprise managers.

will provide a new generation

That generation has already

asked for more money and fewer changes in government policy, Mr Bekh told the government last year that directors' main problem was a "lack of management accounting". Not surprisingly, manage-ment consultants in Moscow

for how foreign technical assistance funds can be deployed. Dr Rahman, who trained more than 100 Kamaz managers, would like to replicate a similar training scheme for

have a lot of good ideas around

of the government's advisory industrial council, advocates a carrot-and-stick approach. This would make limited financial support conditional on changes in management practices, fitting in well with the government's determination to tie new funds to an improved performance at enterprises.

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Society's expectations from commercial organizations have shifted in recent years. Creating wealth is no longer enough. There is increasing pressure for a different relationship with employees. And a growing number of people are questioning companies' use of the earth's limited resources.

Senior managers are often unsure of how to respond, how to include these non-traditional considerations in their business planning, and what their priorities should be. It is understandable that many feel the need to reflect on these issues before defining their company's strategy for the

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German steel chief outlines crisis plan

By Quentin Peel in Düsseldori

GERMANY'S steel industry. which prides itself as being the most independent and efficient in the EC, is calling for tough new curbs on state subsidies in other member states, but also for more money from Brussels to ease the pain of mass redun-

It wants a "market solution" to the crisis in the industry, but one protected against unfair competition from eastern Europe by volume restrictions on cheap imports. Minimum prices would not be

It also wants a rapid decisioo by industry ministers this week on the outline of a rescue ackage, in order to underpin

higher prices in the market. Precise details of capacity cuts would be worked out by the industry itself by September, and then two years would be needed to put them into

Details of the German industry's preconditions for a Brussels rescue package were spelt out by Mr Ruprecht Vondran, president of the German steel industry federation, in a week-

end interview He warned that the European steel sector as a whole would have to shed more than 100,000 jobs, of which 35,000-40,000 would be in Germany. He agreed with the European Commission that cuts in capacity were needed of between

Mr Vondran suggested that efficient producers should in effect buy out market share from inefficient producers, foronly be paid in proportion to their reduction in capacity. and Italy and Spain must be targeted as the least efficient, most heavily subsidised pro-

He set out six "criteria" for an agreement, presented last week to Mr Gunter Rexrodt, the German economics minister, who will attend the ministerial council in Brussels on Thursday at which the package will be presented.

"We must find a solution which is as close as possible to a market solution," he said. "It means the most efficient producers must remain, and the least efficient must close." The mistake of EC steel policies since the last steel crisis of 1980 was to allow borderline producers to remain in opera-

Mr Vondran singled out Ilva, the Italian steel producer, as "a totally over-indebted enterprise which is adding new losses month by month. Nobody knows what its debt position is, but we believe it is some where between DM11hn and DM14bn (\$6.6hn-\$8.4hn). There is no suggestion of bankruptcy: they simply go on producing." The steel federation's six-

point plan would require: A transparent legal frame work for production and delivery quotas, decided by the industry within guidelines set by Brussels. "There must be no cartels fixed up behind closed doors," Mr Vondran said. Protection against cheap

imports from eastern Europe and the former Soviet Union. focused on the most sensitive cing inefficient plants out of areas - long products rather than flat products - and lim ited by quantity, not price. The federation proposes a limit set at 1991 import levels, plus 20 per cent. "Minimum prices don't work. You simply get payments made secretly into Swiss bank accounts," he said.

• Clear restriction oo subsidies, as set out in Article 4c of the European Coal and Steel Community treaty, with excep-tions limited to those aoterprises cutting their capacity

the market. · More generous social payments to ease the redundan-cies, estimated at more than 100,000 direct job losses in the entire EC industry, and not 50,000 as calculated by the Enropean Commission. The Brussels offer of Ecn450m (£371.7m) between 1993 and 1995 is based on the lower job loss figure.

enough to have a real effect on

 Adequate time to carry out the structural changes, with two to three years estimated from agreement on capacity cuts in September.

 Political agreement on the key points in the package on February 25, with the remaining details worked out at official level by the end of

Milan shows no mercy on kickbacks

There is an overwhelming cry for political change, writes Haig Simonian

S ITALY braces for more arrests and resignations in the corruptioo scandal rocking the country, the consensus in Milan is that all should be brought into

"It's a scandal when the judges keep silent, not wheo they start putting politicians away," says Mr Luigi Cavallini, director of a machine tool importing company. "The cor-ruption affair may be hurting our image abroad. But it's only in really corrupt countries that the politicians don't go to jail. People should be pleased this is happening."

The corruption probe, which began in Milan and spread nationwide, triggered last week's ministerial resignations and yesterday's cabinet reshuffle. The decision by a parliamentary committee to lift the immunity of Mr Francesco De Lorenzo, the former health minister, and romours about the possible involvement of Mr Giovanni Goria, tha former finance minister, prompted both to resign on Friday.

Many people in Milan share the view that the investigatheir sitting room. The customers are more moderate. They probably appreciate the near-impossibiltions into political kickbacks should go on, irrespective of the impact on Italy's standing abroad or the value of the lira, which plummeted to L957

against the D-Mark late oo Fri-

At Mr Cesare Sbravati's barber's shop, talk of an amnesty for corrupt politicians is instantly dismissed by Saturday afternoon customers, Mr Shravati, born in Mantua but husy cotting hair in the same small shop for more than 30 years, is convinced the judges should carry on.

"It's only thanks to them that things have come to the surface. Otherwise, the politicians wouldn't have done any thing," he says. Mr Alberto Pirovano, waiting for his haircut, agrees. "We're only half-way there. If the judges stop now, the politicians will bury everything.

There is little sympathy for those who have trained into Milan's antiquated San Vittore prison, a first stop for many of the politicians and businessmeo arrested so far: "They should be made to give back what they've stolen, right up to the last penny," shouts Mr Sbravati's wife from behind the curtain dividing the shop from

ity of tracing the hillions of lire which have flowed into private pockats and party coffers



was Milan.

The Socialists "have no

future in Milan", says Mr

Ambrogio Invitti, waiting his

But Mr Cavallini, an avowed

right-winger who castigatas

Italy's governments for pump-

ing money into fruitless ven-tures, usually in the economi-

turn in the barber's chair.

Giuliano Amato: deserves some credit

though kickbacks on inflated ist party, whose power hase public-works contracts. But they at least want new laws banning all those implicated in corruption from bolding elected office again and requiring them to repay what money

The vitriol is reserved for Mr Bettino Craxi, the former leader of the discredited Socialcally-depressed south, gives prime minister Giuliano Amato some credit.

Every political system in transition has people of the ancieo regime alongside the new. At least this government seems to be made up of seri-ous-minded people, unlike the Andreotti government, which paved the way for the damna-tioo of this country."

The overwhelming mood in Milan is that the political system has to change, amid some uncertainty and caution as to

how that should be done.
With Italy's budget deficit still growing, such steps are likely to involve further unpopular public spendiog cuts, bitting social security in particular. They are likely to be least popular in southern Italy, where support for estab-lished political parties bas proved much more resilient

than in the north. "What should I do?" asks Mrs Pierrina Fusco, a pen-sioner from the southern region of Appulia, who has been working in Milan for the past 30 years. "Everything's become more expensive. Now I'm going to have to pay for the medicines that used to be free. Tell me what to do. I'll vote for whoever you say.

IG Metall warned over pay demand

By Judy Dempsey in Berlin

MR Hans-Joachim Gottschoi, president of the Gesamtmetall engineering employers' association, yesterday said IG Met-all, Germany's big engineering an annual inflation rate of union, was pricing its members oot of the market and would face more unemployment if it insisted on a 26 per ceot wage increase this April for the five east German

states. In an interview with the Berliner Morgenpost, Mr Gottschol said Gesamtmetall would stick to its offer of a 9 per cent wage increase for east Germany's 300,000 IG Metall members. The union is demanding a 26 per cent increase, as agreed in a contract with the employers' asso-

ciation in March 1991. The contract envisaged bringing east German wages np to west German levels by April 1994. But the employers now insist they can revise the contract because of the deter-

East Germany's inflation rate jumped by 6.7 percentage points in January, against a 1.8 point rise in December and about 11.2 per cent in 1992.

Union officials, who will open arbitration talks with Gesamtmetall in the state of Mecklenburg-Western Pomerania today, are expected to argue that a wage increa even more justified in the light

of the inflation figures.
"IG Metall must finally weigh up the cost lof the wage increase] with the economic reality," Mr Gottschol said. Gesamtmetall officials have said that a 9 per cent wage increase would cost the empioyers DM1.4bn (\$855m), while a 26 per cent increase

would cost DM3.9bn IG Bergbau und Energie, the energy and ntilities union, last week accepted a pay increase of 9.3 per cent for its 60,000 east German members.



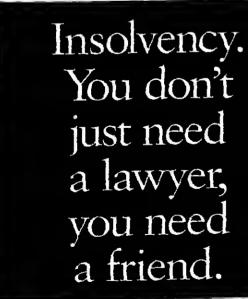
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US unhappy over access

By David Dodwell

EUROPEAN companies have significantly easier access to procurement contracts in the US, according to a leaked US document that could trigger a US-EC war of numbers in the battle to open up respective

In a document from the office of the US trade representative, the US claims that bidding opportunities worth \$16.8bn (£11.8bn) were offered to EC contractors under the Government Procurement Code in 1990, compared with \$7.8bn in EC contracts open to US operators.

The document, which highlights a wide difference between the two sides' view of what amounts to fair access, argues that procurement contracts worth a total of more than \$150bn a year are open to bids from EC companies "without any restriction".

54 per cent of the market last year for central office telephone switches, with the EC accounting for 13 per cent while US companies sell no switches at all in France, Ger-Denmark and less than 5 per cent of the switches in the UK, and supply Spain, Italy and the Netherlands only through joint

The document was tabled during EC-US negotiations in Washington last week aimed at settling the clash over public procurement which flared last month. The new US administration threatened to bar European companies from bidding for federal contracts in the US unless European procurement rules favouring local manufacturers were dismantled by a deadline of March 22. EC negotiators said in Wash-

ington at the end of the talks that a possible solution to the dispute had been found based on "comparable, effective and

However, the leaked docu-ment illustrates that the US and the EC retain significantly different views on comparable or effective access. EC officials were obstacles in the way of US companies bidding for procurement contracts in the EC. But they insisted that systemic differences made it difficult for US officials to recognise the obstacles foreign companies faced in bidding for US similar

US contracts. The US document challenges EC claims that "Buy America" laws bar EC bidders from the US market, insisting that Buy America legislation affects "less than \$15bn of procure-- compared with "over \$50bm" of contracts affected by the EC's own "Buy Local"

In a direct challenge to EC claims that the vertical integration of AT&T, the leading US telecommunications group,

in effect bars EC companies from bidding for business, a senior US trade official noted that regional US telecommunications groups bought more equipment from Canada'e Northern Telecommunications than they did from AT&T which accounted for just 8 per

"The US market is completely open. All of our firms are private and do not discriminate in favour of national suppliers." the document claims. It notes that in spite of the extreme competitiveness of US-made steam turbine power generators, the US has never sold a steam turbine in the EC, and no large transformer since

cent of total US demand for

switching equipment.

By contrast, the US market is "largely open", the docu-ment says, with European companies such as Siemens and Ericsson winning 20 per cent of the gas turbine contracts in the US and 30 per cent of the

starting to seize up again? Fears during the last decade that Europe was suffering a damaging loss

of international competitivepated during the EC's mini-economic boom of the late 1980s, partly engen-

dered by the run op to the sin-With the European Commumity this year facing a re-run of the 1961-1962 recession, and the Maastricht integration process bedevilled by question-marks, Europessimism seems to be

coming back into fashion. Backing up the new mood, a discussion paper from the London-based Centre for Economic Policy Research (CEPR) concludes that the economic effect of integration has been far less positive than often argued.

Further, it has led to an inward-looking and protection-ist trend in the EC's international trade policy. This. appears to have contributed to a technological lag between the Community and other parts of the world.

The study's conclusions are borne out by figures from the Organisation for Economic Co-operation and Development showing declines in the export market shares of leading EC economies in recent years though this is a problem shared by virtually the entire industrialised world.

The study's anthor, Prof. Alan Winters of Birmingham University, denies being a "Eurosceptic". He backs the single market programme as a way of pressing forward with internal market liberalisation started with the Treaty of Rome in 1957. But, he says, he produced his report "to prick the balloon of complacency about the achievements of

European integration. The existence of the EC has coincided with above everage

EC is turning inward – and falling behind

The fruits of the single European market are starting to look less healthy, reports David Marsh

growth of its members' economies, with the 12-member Commmity's share of world GDP increasing from 22.5 per cent in 1965 to 23.5 per cent in 1989,

Prof Winters writes. However, he adds that EC unemployment has been persistently high. In addition, the Community has been less able to control inflation and unit labour costs during the past decade than important competitors, and has fallen behind in high technology compared with the US and Japan.

Among the ECe chief drawbacks, Prof Winters points to the BCs common agricultural policy. This has brought pro-tectionism to trade since the early 1960s, making the EC a net agricultural exporter

rather than a net importer.

The subsidies flowing to EC producers have caused EC consumers annual income losses of 1.5 per cent of GDP. In terms of overall trade flows, Prof Winters believes EC member success in increasing trade among each other has detracted attention from falling ratios for trade with the rest of the world.

This has coincided with

restrictive EC trade policies to protect sectors such as motor vehicles, consumer electronics and office machinery. The Community suffers from

a tendency to look backwards and preserve itself from change, rather than to embrace changa", Prof Winters

This trend is illustrated by the rising proportion of EC GDP devoted to industry subsidies. "Some subsidies are given to emerging sectors such as the Airbus, but the bulk of them go to resisting change in traditional sectors

"The use of protection to avoid industrial restructuring has almost certainly contributed to Europe's falling behind the US and Japan in high-tech

Prof Winters cites figures showing that the fall in the EC's share of world engineering markets since 1970 has been concentrated in more sophisticated products. In less technologically demanding areas of engineering, the EC's share of world trade bas

We're doing OK relative to

India, but not so good comters says.

tective bias of EC trade arrangements with central and eastern Europe enshrined in the "Europe agreements" com-pleted last year with Czechoslovakia, Hungary and Poland. Citing restrictions on "sensi-tive" east European exports in areas such as steel and chemi-cals, Prof Winters saye: "A noble concern for the welfare of our brothers in Europe was subverted by entrenched economic interests."

Moreover, the accords are seared in the long run to giving the EC preferential acc east European markets rather than the other way

"The Europe agreements seem intent on obtaining markets and production facilities in Czechoslovakia, Hungary and Poland, on managing access to EC markets and, above all, on avoiding serious levels of migration."

Prof Winters says the European Community has reduced protectionist pressures in some areas by giving national manufacturers the opportunity of a

larger internal market. But "once protectionism is introduced, it is spread around more and more difficult to

When high interest rates and recession are spreading economic gloom around the Community, removing these sources of Euro-protectionism will be especially difficult.

Prof Winters' study sugges however, that the EC should be preparing a new trade policy agenda for the tima when growth starts to edge up again. CEPR: 25-28 Old Burlington Street, London WIX ILB. Tel

A STATE OF THE STA

Securities market practitioners 'should' have more say in their supervision'

By Richard Waters

THE European Commission'e plans to oversee EC securities markets should be amended to give practitioners in the markets more say, according to the International Securities Market Association.

The call, in a report on the development of a single European securities market, highlights a growing struggle between officials in Brussels and market practitioners over how the EC'e markets should be run. The Commission plans to set up a Securities Industry Committee to oversee the

implemention of its legislation on securi- in its day-to-day functioning", it said. ties markets and to recommend any leg-islative changes – a development which has prompted fears in some quarters that it will lead eventually to a centralised and

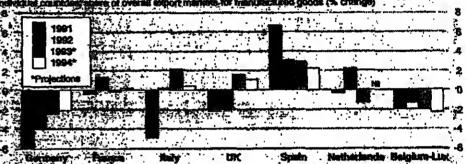
bureaucratic market regulator. The association, which regulates the Eurobond (or international bond) market, warned that the EC "is likely to have insufficient staff with high level experience of working in the industry". The plan for a committee should be "dis openly" before being carried through, and self-regulatory bodies should "have a role

The report also argues: • Europe does not need a single securities exchange to achieve a single securities market, but a common regulatory

 To help fight fraud, insider dealing and. market manipulation, all transactions should be reported to regulators. All regulators would then be able to combine the details to obtain an overview of all market

Towards a Single European Securities Trading Market, ISMA, London, Free.

EC's declining manufacturing prowess



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Expansionary budget planned for Romania

ROMANIA'S minority government this week faces its biggest test to date when it presents an expansionary budget to parliament for 1993-1994. The left-wing Democratic National Salvation Front, which formed a government in November, plans to increase government investment by raising corporate taxation. Profit tax would rise to 40-60 per cent, from

Profit tax would rise to 40-60 per cent, from 30-45 per cent, although companies involved in exporting would be eligible for discounts of up to 50 per cent. The budget deficit would rise to 4280n lei (£568.6m), or 4 per cent of gross domestic product, up from 2 per cent last year.

Despite a 15 per cent fall in Romania's GDP last year, the budget has been drawn up on the basis that GDP will remain stable this year and that annual inflation will drop from 200 per cent to 50 per cent.

to 80 per cent.

The trade deficit is forecast to reach \$1\text{in-\$1.30n}, with external debt expected to double to \$7\text{bn} this year. However, only \$4\text{bn} of foreign credit would be drawn in 1983, according to Mr Misu Negritoiu, deputy prime minister with responsibility for economic reform.

Mr Negritoiu, an independent who is considered the cabinet's key reformer, said government spending would be aimed at privatisation and restructuring, infrastructure projects, agriculture and building up social welfare.

Constitutionalstruggle goes on in Moscow

PRESIDENT Boris Yeltsin and the speaker of the Russian parliament, Mr Rusian Khasbul-atov, will continue this week to search for a constitutional deal in a suicidal power struggle

each side is determined to win.

each side is determined to win.

After the two men traded insults directly or through their spokesmen, a first round of negotiating between their emissaries on Saturday produced no progress. A 10-day deadline for an agreement expires at the end of the week.

If none is found through the current mixture of behind-the-scenes negotiating and megaphone diplomacy, Mr Yeltsin has vowed to take the struggle to a referendum which would ask people whether parliament or the president should rule the country.

Mr Yeltsin wants the parliament to stick to examining legislation, leaving the government

Mr Yelisin wants the parliament to stick to examining legislation, leaving the government strong executive powers to conduct economic reform and dispose of state assets.

The alternatives to a deal are grim.

A referendum would further destabilise the political situation at a time of deep economic crisis. Some independent-minded regions could refuse to hold the poll. Furthermore, it could be seen as a flop for failing to ask clear questions (parliament also has a say in setting them) and by producing a turnout too low to provide a clear answer.

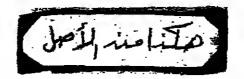
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BARCLAYS



Row over deportees dogs Christopher tour

By Mark Nicholson in Cairo

MR Warren Christopher, US secretary of state, was set yesterday to carry his listening tour of the Middle East from Damascus to Riyadh, having heard Jordanian and Syrian assurances of their resolve to continue the faltering peace process. But leaders in both countries stressed that Israel's deportation of Palestinians continued to obstruct a return to talks, which have

By Stefan Wagstyl in Bombay

THE recent inter-religious

violence which tore through Bombay seemed to be forgotten

But even in the brilliant sun-

shine, dark reminders of the

anger simmering in Bombay

were never far away. Like the city itself, cricket in Bombay is

Shiv Sena, the local militant

Hindu party whose supporters

were among the bloodiest par-

ticipants in the recent riots,

rules the roost at the cricket ground. Mr Manohar Joshi,

president of the Bombay

Cricket Association and host

for the test match, is also a

deputy leader of Shiv Sena. Mr

Bal Thackeray, the Shiv Sena leader who has often expressed

his appreciation for Adolf Hit-

ler's "patriotism", is a frequent

the violence which hit India

after Hindu militants, includ-

ing many from Bomhay, destroyed the Ayodhya mosque

Today, a month after the

unrest reached its bloody cli-

max, much of india's commer-

clai capital has returned to

in early December.

The city bore the brunt of

guest in the committee box.

failing prey to intolerance.

against England.

Inter-religious

forgiveness is

been adjourned since mid-December. Mr Christopher held talks with President Hafez al-Assad, the Syrian leader, yesterday and was due to fly on for hrief visits today to Saudi Arabia and Kuwait, where discussions are likely to focus more on Gulf security issues than oo Middle East peace. King Hussein, the Jordanian ruler, told Mr Christopher on Saturday that

he was anxious to return to the peace

talks as soon as possible, but that the

continued exile of the 396 Palestinians deported hy Israel two mooths ago remained an obstacle.

Mr Farouq al-Sharaa, the Syrian foreign minister, made a similar statement on Mr Christopher's arrival in Damascus. He said the peace talks remained the sole option for countries in the region. "What is the alternative except disaster in the region?" he asked, "Hopefully the obstacles can be removed from our path."

But US officials have repeatedly said the secretary of state has no immediate plans to resolve the impasse over the deportees. Officials travelling with Mr Christopher said he would, at best, gently encourage Israel to speed up a judicial review of the deportees' cases, a process which

might accelerate the return of some. Mr Christopher said over the weekend that he stood by a compromise formula worked out between Israel and the US whereby Israel would take back 101 of the 396 deportees immediately and the rest within a year.

The Arab parties to the peace talks. however, have rejected this formula. insisting that Israel must implement United Nations resolution 799, which calls for the immediate repatriation of

all the deportees. Mr Christopher will meet Palestinian spokesmen and their Israeh coun-

NEWS IN BRIEF

projected at 32 per ceot.

Polish interest rate cut reflects new optimism

POLAND'S central bank, the NBP, has cut its basic refinancing interest rate by three points to 35 per cent, writes Christopher

Bobinski from Warsaw. The move reflects optimism about an expected 2 per cent GDP growth in the economy this year and a lower inflation rate,

Mrs Hanna Gronkiewicz Walc, NBP chairman, said she expected Polish banks to reduce their lending rates, which currently range between 40 per cent and 60 per cent.

The refinancing rate is used by the NBP to lend money to government-funded investment projects and is regarded as the marker for the banking system. The central bank's rate cut follows recent falls in Treasury bill

yields and inter-bank lending rates, which at the end of last week stood at an annual 40 per cent for three-month deposits.

Floods hit Ecuador provinces Dozens of people have been killed and thousands of hectares of crops destroyed by floods in the coastal provinces of Ecuador,

writes Ray Colitt from Quito. More than a week of heavy rain has destroyed an estimated 10.000-30.000 hectares of banana, soya and rice crops in the province of Guayas alone. The province also saw 44 new cases of cholera. In the north-western province of Esmeraldas at least 22 people died in the floods and landslides blocked many roads.

The Ministry of Agriculture confirmed that much of the country's rice crop had been destroyed, while the federal government announced immediate relief funds to the coastal provinces.

Philippine minister offers to quit

Mr Rafael Alunan, Philippine secretary of the interior and local government, whose jurisdiction includes the scandal-tainted Philippine National Police, offered his resignation yesterday, writes Jose Galang from Manila.

Mr Alunan's move came three days after Mr Fidel Ramos, the Philippine president, called for the resignation of police officers who had earlier been relieved of field assignments or accused of

corruption or incompetence. However, Mr Alman's offer does not appear likely to be accepted. According to observers, the Ramos call was directed at 16 generals and 35 colooels in the PNP who now have no specific assignments, The so-called "floating" officers include Mr Cesar Nazareno, the PNP director-general who was relieved of his dnties last August hy Mr Ramos.

Five die in Senegal poll violence Voting began yesterday in Senegal's presidential election, with

separatist violence in the south claiming five more lives, Reuter reports from Dakar.

The rebel Movement of Democratic Porces of Casamance (MFDC) has vowed to disrupt all political activity in Casamance province, which is practically cut off from the rest of Senegal by Gambia. At least 140 people have been killed since the MFDC stepped up its decade-old rebellion last September. Elsewhere, campaigning has been peaceful.

Political analysts say President Abdou Diouf is tipped to win, but the race will probably be close. The spread of candidates, and a new stipulation that the winner must be backed by at least



at the weekend as Hindu and Moslem cricket fans flocked to tbe city's Wankhede stadium and united to support India

organisations persist.

fan, was elected president last year after Shiv Sena supporters broke into the Wankhede stadium and vandalised the wicket to force the cancellation of a match between India and Pakistan. Pakistan drew Shiv Sena's ire both because it is Moslem and because of the support it gives to rebel movements in the north Indian state of Kashmir.

Mr Joshi shows no remorse for the attack on the pitch, nor is he in any mood to let Pakistan play in the future.

Even though India, Pakistan and Sri Lanka have just won the right jointly to stage the next cricket World Cup, Mr Joshl will not promise to let Pakistan play in Bombay. "It will all depend on the political situation," he says with a thin

The soft-spoken Mr Joshi has an unsettling way with words. At one moment he praises Mohammed Azharuddin, India's Moslem cricket captain, and says: "I love my [Indian] Moslem hrothers." At another he says India's Moslems should he shorn of their privileges, such as the right to their own

The widely held belief that Shiv Sena organised anti-Mos-

There are Moslem extremist groups as virulent as Shiv Sena, such as Jamaat-e-Islami, hut outside Kashmir they attract little support and carry virtually no political weight. Shiv Sena matters; together with the Bharatiya Janata party, the national Hindu militant grouping, it controls 100 of 252 seats in the state assembly

includes Bombay. The ruling Congress (I) party is struggling to keep its major-

of Maharashtra, which

A few liberal Bombay citizens are prepared to stand up ath, a local magazine editor who has organised a support fund for journalists who suffered losses in the violence. "We must fight Shiv Sena, Look what it has done to our city," he says,

Hindu and Moslem fans unite to support Indian cricketers (pictured evading a ball hit by Graeme Hick) but tensions remain

Many more prefer to express their condemnations of Shiv Sena in private - for fear of reprisals. In public they limit themselves to decrying violence and to contributing to charities aiding the victims.

Bombay's political leaders have failed to orchestrate any campaign against Shiv Sena. Since the riots ended the ConMr Sudhakarrao Naik, the gress offers no alternative." chief minister, is pitted against Mr Sharad Pawar, the national defence minister, whose power base is in Bombay. Each is trying to push responsibility for

the riots on to the other. The absence of any strong political call for the defence of the city's cosmopolitan traditions has left many Bomhay residents confused.

Among the élite there is a reluctant but growing willingness to side with Shiv Sena and the BJP, if only because their views are clear. "People say: 'At least we know where

Some liherals are close to

One leading industrialist says: "I see parallels with Germany in the 1930s, People who say the BJP is not so had are like the Jews who said they were too rich and powerful for Hitler to hurt them."

But others see such fears as exaggerated. "To make comparisons with Germany is complete ruhhish," another industrialist says. But he, like the first, prefers not to have his name appear in print. "It's difficult. These people



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BOWN TO EARTH SOLUTIONS

until poll date set

THE African National Congress yesterday relaxed its policy on economic sanctions against South Africa, but said sauctions should remain until a date is set for multi-racial

This cannot be done until multi-party negotiations yield agreement on a range of diffi-cult issues including basic principles for a new constitution, the re-incorporation of nominally independent black homelands and multi-party control of the security forces.

Agreement on an election date is likely to take several months, although swift progress in multi-party talks, due to begin next month, could

bring agreement sooner. The ANC yesterday imposed several linked conditions for the lifting of sanctions, apart from an election date: a multi-party council must be established to oversee the government, with subsidiary councils to supervise elections and the state-run broadcasting cor- support until its current

poration, and the existing constitution must be amended

Once these steps are taken, the ANC would call for trade, investment, financial and diplomatic sanctions to be lifted, but the international arms and oil embargoes would remain in

Such a move would boost the business mood in South Africa, but would have little effect on domestic and foreign investors more concerned about prospects for political stability and economic discipline under a multi-racial government.

A resumption of lending by

multi-lateral financial institutions such as the World Bank and International Monetary Fund would be the biggest benefit from an end to sanctions. The IMF might make funds available immediately through its compensating financing facility, designed to reimburse member countries for an unex-

pected shortfall in export

receipts or rise in imports.

However South Africa could

not seek balance of payments

around R4.5bn (£1bn) in surnlus last year.

Since the mid-1980s, Sonth Africa has been forced to run a substantial current account surplus to cover foreign debt repayments, since interna-tional banks halted new lending to the republic. Capital outflows since 1985 have totalled over R40bn

ANC officials hope that lifting sanctions would prompt a surge of foreign investment and boost its chances of victory in the first multi-racial elections. At the weekend, ANC leader Nelson Mandela appealed for R130m for the organisation's election cam-

Meanwhile Mr F.W. de Klerk, the President, tried to tackle his government's racist image in advance of elections, by eppointing two coloureds (mixed race) and one Indian to his cabinet in minor positions. However he also appointed a hardliner, noted Mr Kobie Coetzee, to the sens itive position of Minister of Defence.

ANC sanctions plea Spectre of 1990 poll haunts Hewson

Australia's opposition may yet fail to oust Labor, writes Kevin Brown

four seats on a swing of 3.8 per

seats by margins of less than 5

Mr Paul Keating, the prime minister, can do little to defend the Western Australian seats

except hope that the defeat of a

Labor state government earlier this month has assuaged vot-ers' anger against the party. However, Labor is fighting

hard in the sugar belt, where it

has offered to exempt sugar farmers from its tariff reduc-

tion proposals for the duration

of the next perliament.
The coalition, which also

holds a highly marginal sugar belt seat, has matched the gov-

ernment'e offer with a A\$145m

(£69m) package designed to compensate for its own pro-

Mr Keating tried last week to

posed tartiff cuts.



John Rewson: Enexpectedly

WO weeks into Austra-lia's five-week federal election campaign, the conservative opposition parties are increasingly confident of ending a decade of Labor rule.

Buoyed by an unexpectedly strong performance by Mr John Hewson, the epposition leader, the Liberal/National Party coalition has built up a lead of 6-12 percentage points in the opinion polls.

At face value, the polls suggest a comfortable manyin for the coalition, which requires a uniform national swing of only 0.9 per cent on March 13 to win the six seats needed to take

But, as polling day draws nearer, detailed local polling suggests that the gap is much smaller in marginal seats that will decide the election. That raises the uncomfortable prospect for the conservatives of a repeat of the 1990 election, when the coalition won the higgest share of the popular vote, but falled to win enough seats to take power.

The key to victory lies in

about 20 marginal constitue cies, many of which are being fought on local issues that tend strong performance

to insulate voters from the national trend. A\$600m in federal funds to rescue the state Labor government from the financial conse-quences of a A\$3hn loss by a The government is weakest in Western Australia, where it holds four seats by majorities state owned bank. of less than 2.5 per cent; South Australia, where it would lose

However, the critical battle will be fought in the conservative-controlled states of New cent; and the sugar belt of northern New South Wales and Queensland, where it holds six South Wates, Tasmania and Victoria, where the conserva-tives are defending six seats with majorities of less than 3.8

Labor's chief hope is in Victoria, where the party lost heavily in 1990, and was defeated in a state election in October. Government strategists believe the conservative vote in the state may have

An analysis of local opinion polls published in The Age newspaper in Melbourne con-cluded that Labor would benefit from a swing of between 0.5 per cent and 3 per cent on pres-ent voting intentions, which could translate to a gain of three or more seats.

If the coalition does well elsewhere, Victoria will not matter. But in a close election, Labor gains in the state could ehore up Labor support in keep the conservatives out of South Australia by offering office, or reduce the size of their majority in the House of

Representatives.

That would be a severe blow for the coalition, which is relying on the moral authority of a substantial majority to force controversial legislation through the Senate. Unlike the House, the Senate

is elected by proportional representation, which usually delivers the balance of power to the Australian Democrats, a populist left-wing party which has never won a House seat. Senator John Coulter, leader of the Democrats, says the party will oppose key conserva-tive proposals to expand pri-vats health insurance, deregu-

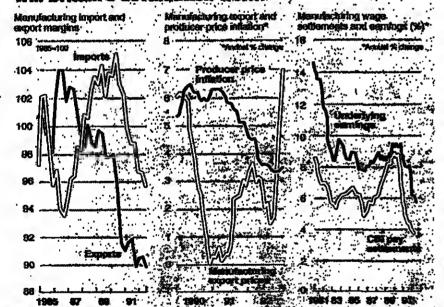
late the industrial relations system and introduce a goods and services tax. Unless Senator Coulter backs down, that would ensure that large parts of the conservative agenda would be blocked, leav-ing Mr Hewson with little choice other than to seek the dissolution of both houses and

a second election. Many Australians, already grumbling about compulsory voting every three or four years, would regard that as the worst outcoms of all.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

	UNIT	ED ST	ATES			EJAPA	N				GERN	YKA				E FRAN	CE				EITALY	7				E UNITI	ED KI	10DOI			
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985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100,0	100.0	100.0	100.0	100.0	.19
986	101,9	96.6	102.2	99.4	76.5	100.8	95.3	101.4	103.3	131.0	29.0	97.5	103.8	103,8	110.2	102.5	07.2	104.5	101.5	102.3	105.1	100.2	104.8	102.7	101.5	103.4	104.3	107.7	104.5	93.3	. 11
987	105,8	100.7	103.8	96.7	65.A	101.2	92.5	109.1	100.e	131.6	100.1	95.1	108.0	107.1	123.9	105.0	97.8	107.8	103.0	102.8	111.0	103,2	111.e	105.5	102.3	107.7	108.3	116.3	105.9	91.3	11
986	109.9	103.2	106.9	98.1	61.6	102.2	92.3	107,8	96.2	140.3	101.4	08.2	113.0	106.8	125.3	106.B	102.5	111.1	104,3	96.3	116.5	105.8	118.4	100,7	101.8	113.8	113.2	128.2	108,9	97.8	11
969	115,2	108.5	110.0	98.9	65.5	104.9	94.2	114.0	96.1	132.2	104.2	99.3	117.3	107.8	121.0	112,6	108.4	115.4	105.5	92.3	124.2	113.1	125.e	112.4	107.2	121.8	119.0	137.2	113.6	98.4	1
990	121.5	113.8	113.8	100.9	60.9	108.2	95.7	120.1	96.2	114,8	107.0	101.0	123.6	110.4	125.0	116.4	107.1	120.6	. 110.0	95.7	131.8	117.B	134.7	118.9	113,7	133.3	126.0	150.1	123.2	1023	. 11
991	126.9	116.3	117.8	103.5		111.8	97,3	124.4	101.e		110.7	103.4	131.8	114.9		120.0	105.8	125.8	174.0		140.3	121.7	147.9	181.3		141.2	133.0	162.4	132.6		11
992	130.4	117,7	120.1	103.1		113.9					115.1	104.8				125.3					147.7					146,4	138.0	173.1	135.0		18
et qtr.1992	29	0.4	26	-0.1		2.1	-0.8	2.5	8.2		4.3	2.0	n.a.	4.5	_	3.1	-3.0	D.E.	1,8		5.6	1.4	0.2	3.2		. 4.1	4.5	8.6	. 4.1		1st gtr.11
nd qtr.1982	3,1	1,3	29	-0.8		2.8	-0.7	2.4	8.7		4.5	2.0	n.a.	3.8		3.1	-1.1.	R.a.	26		5.5	2.0	6,0	5.0		4.2	8.6	5.9	1.9		2nd qtr.19
rd qtr.1992	3.1	1.8	2.3	-0.2		20	-o.e	1,0	8.7		3.5 3.7	1.0	n.a.	6.1		2.7	-0.9	D.E.		•	5.2	1,8.	3,7		•	8.8	3.5	6.2	. 1.8		3rd qtr.19
th qtr.1992	3.0	1.5	20	- 1.0		0.9					3.7	0.5	n.a.			2.2		n.a.	•		4.8				٠.	3,0	3.4	5.7	œo		4th qtr.19
ebruary 1992	2.8	0.9	3.5	-0.1	n.a.	2.2	-as	1.2	6.9	n.e.	4.3	2.0		3.6	p.a.	3.0	p.a.		P.A.	n.e.	5.3	1.5	9.1	0.8.	R.B.	4.1	4.4	7.8	2.5	n.a.	* 1992 Februa
larch	3.2	1.1	2.e	-0.7	n.e.	2.1	-0.7	1.7	. 9.8	n.a.	4.8	2.5		5.4	n.a.	3.2	n.a.	3.8	n.a.	n.e.	6.6	1.4	8.1	n.e.	R.B.	4.0	4.5	10.3	5.2	p.a.	Men
prii	3.2	1,1	3.4	-0.9	n.e.	2.8	-0.7	1.3	e,7	n.a.	4.8	1.9		5.4	n.e.	3.1	p.a.	_	R.B.	R.S.	8.5	1.8	8.8	n.e.	0.4.	4.3	3.8	5.0	.0.0	n.e.	Ap
lay	3.0	1.1	2.6	-0,7	n.a.	2,3	-0.7	1.1	11.8	n.a.	4.6	2.0		1.7	n.a.	3.1	n.a.	-	0.0.	n.s.	6.7	2.1	4.8	n.a.	n.a.	. 4.3	3,5	7.0	2.7	n.e.	Byl
LATING .	3.1	1.8	28	-03	n.a.	2.5	-0.7	8.8	5.7	n.a.	4.2	2.0		4.3	R.B.	3.0	R.B.	3,8	R.S.	R.B.	5.4	2,1	4.7		0.0.	3.9	3.8	5.9	2.0	D.A.	- 1
uty	3.2	1.7	1.7	-0.2	n.a.	20	-0.7	2.3	8.8	n.e.	3.3	1,1		8.8	U.C.	2.9	n.e.	-	D.S.	R.a.	5.4	1.0	4.0	n.a.	n.a.	3,7	3.8	6.2	3.0	n.e.	
ugust	3.2	1,8	2.8 .	-0.4	n.a.	1.8	-08	- 1.5	11.4	n,a,	3.5	1.1		5.2	n.e.	2.7	n.e.	-	D.R.	n.a.	5.2	1.9	3,5	n.e.	IN _A B.	3.8	. 3.4	6.5	1.7	· n.a.	Aug
eptember	3.0 3.2	1.5	2.5	0.0	n.a.	2.2	-0.7	1.4	· 5.8	n.a.	3.6	0.8		4.3	n.e.	2.6	n.e.	3,5	n.a.	n.a.	5.1	1,0	3.7	n.a.	n.e.	3,9	3,4	5.7	0.7	n.a.	Soplem
ctober	3.2	1.7	1.7	-0.5	n.a.	1.2	-08	1.5	9.6	n.a.	3.7	0.5		7.8	D. C.	24	n.e.	-	D.e.	n.a.	4.9	2.0	41.	R.a.	R.a.	3.6	3,3	6.3	0.3	17. e. ,	Octo
vember	3.0 2.8	1.3	1.7	-0.9	n.e.	0.0	-0.9	1,5	9.4	n.a.	3.7	0,6		9.4	n.a.	2.1	A.A.	-	D.E.	n.a.	4.8	2.2	2.1	n.a.	n.e.	3.0	3.3	5,8	0.2	n,a.	. Novem
ecember	2.8	1.8	25	-1.2	n.a.	. 0.9				n.a.	3.7	0.5			4.4.	2.0	D.E.		A.R.	B.R.	4.6			R.a.	n.e.	2.6	3.5	5.4	-0.5	n.e.	Decem
unuary 1993	3.3	1.8			n.e.	1.0				n.a	4.4	0.8			2.4.		n.e.		M.R.	n.a.	4.2			n.a.	n.a.	1.7	3.5			R.B.	1993 Jam

Will Britain's devaluation work?



The importance of picking the right inflation target

exchange rate mechanism may have delivered painfully high interest rates, an uncompetitive exchange rate and a deeper sion than the government needed in order to control inflation. But it did have the advantage of simplicity. Monetary policy-making outside the ERM may be less painful; but, as the Bank of England's extensive inflation report demonstrates, it is much more complicated.

In the KRM, the UK government's mone tary policy was largely determined by the need to keep the exchange rate within its target zone, assuming this delivers low and stable inflation. But chastened by its ERM experience, and the failure of domes-tic money targeting in the early 1980s, the government now appears to have abandoned intermediate monetary targets altoether. Instead it has adopted an explicit inflation target, the annual rate of retail. price inflation excluding mortgage interest payments, which the Treasury aims to eep within a 1-4 per cent range. The Bank of England, like the Treasury, to domestic monetary targeting. "Inflation is a a monetary phenomenon," the Bank confirms in language reminiscent of the writings of the monetarist guru and Chicago University economics professor Milton Friedman. But "the lags between changes in monetary policy and changes in inflation are known only imprecisely, and will vary with the state of the cycle" The current erratic behaviour of monetary aggregates merits only a little over one page in the Bank's 45-page report.

Nor is the Bank willing to view the government's inflation target as a simple guide to policy. It makes sense, the report suggests, to announce an inflation target in order to guide expectations and to provide a means of assessing past performance. But "monetary policy is set in rela-tion not to the current rate of inflation but to inflationary trends over the next year or two". The fact that underlying inflation rate is currently within its target range makes little difference to this judgment. The Bank also counsels against placing

sen inflation measure out of the many other inflation indicators thet could have been picked. If all prices were to rise at the same rate, the Bank says, then thers would be no ambiguity about the measurement of inflation. But relative prices change all the time. So while one price index is needed for ass essing performance, and the underlying RPI is "as good as any, and better than most", it would be "unwise to rely on any single index as the only guide to inflationary trends in the

Sterling's recent devaluation does, in fact, make it particularly important that movements in the underlying rate of retail price inflation are not the main guide to monetary policy. The devaluation will inevitably lead not only to higher import prices but also to a higher aggregate price level, and thus temporarily faster inflation, than would otherwise have been the case. What matters is that this rise in aggregate prices occurs through a rise in the prices of traded goods, largely manuorder to increase the profit margins of exporters and help close the trade deficit. This shift in relative prices is already under way. The left-hand chart tracks the squeeze on manufacturing export profit

margins over the past seven years, the combination of sterling's appreciation and the poor state of the world economy. But last autumn's devaluation means thet exporters have been able to raise the sterling prices of their goods, as the middle chart shows, which should increase export profit margins and volumes. Unless, that is, the rise in producer prices leads to higher wage inflation,

thereby preventing the change in relative prices by spreading the increase in aggregate prices to non-traded goods as well. Wage settlements are currently depressed, largely because of the persisting recession. A rise in wage inflation, not the underlying RPI, should be the government's first

serious inflationary danger signal. **Edward Balls**

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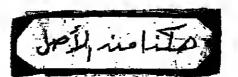
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BRITAIN'S state rail network could be hit by a wave of oneday strikes at the end of March following the failure of RMT, the main rail union, to win privatisation-related British Rail.

hold a ballot early next month for a "rolling programme" of 24-hour strikes. Employment law means it must start the strike action within 28 days or re-ballot.

A spokesman said the taken a consultation exercise and was confident a majority of the 70,000 RMT railworkers. out of a total of 125,000, would support the call.

Although the strike call was

originally linked with the related campaign by the National Union of Minework-ers against pit closures the RMT now says that the primary reason is BR's refusal to give a no compulsory redun-dancy pledge to rail workers. RMT believes that on top of the 7,000 redundancies now being completed BR will seek another 20,000 redundancies

in the next financial year. A BR spokesman said that the company had gone to "great lengths to protect the staff" and that there would be "virtually no compulsory Survey shows devaluation pushed prices 17% below the average in 14 countries

UK is 'Europe's bargain basement'

DEVALUATION of sterling has turned Britain into a bargain basement for supermarket shoppers from other European countries, according to an international price survey.
It finds UK retail prices for a

range of food, drink and consumer products are 17 per cent less than the average for 14 European countries and 43 per cent lower than in Sweden, the most expensive. The survey, carried out for

the Financial Times last month

by A.C. Nielsen, the market research firm, also finds little evidence that leading consumer product manufacturers have raised their UK prices since sterling left the exchange rate mechanism in September. Of 31 market-leading branded products surveyed, 17 have fallen in price since August, by as much as 7 per cent. Much the higgest rise, for canned salmon, was 23 per cent, though it had moved

sharply up and down in the previous six months. In several cases, reductions in the prices of the brand leaders have not been matched fully by retailers' competing own-label products, which are usually cheaper.

The international price survey covered a basket of 45
"Euro-brands" - products sold
in at least four of the larger European countries. The bas-



ket includes processed foods, snacks, petfood, alcohol, soft drinks, household cleaners and personal care products.

Britain emerged as the cheapest country in every product category except alco-holic beverages, for which prices were six per cent above

the European average. However, prices were 56 per cent higher than the average in Austria and 47 per cent higher in Ireland and Switzerland, Some items, however, still

cent and 18 per cent above the cost more in Britain. The UK price of Ajax cleanser is eight per cent higher than the Euro-

The survey also finds that Guinness, the national drink of European average, followed lireland, costs more there than Greece, Spain and Germany.

pean average and twice the

level in Spain, while Notella

chocolate spread and Danone

yoghurt are respectively 10 per

anywhere else in Europe, while Coca-Cola, the national drink of America, is cheapest in France. The naxt cheapest country after Britain is France, where the basket of "Enrobrands" costs 96 per cent of the European average, followed by

The improvement in bearings

largely results from invest-

ment by Japanese companies.

Mr Johnson of the EEF insists that it would be wrong

to be too gloomy. The UK, he argues, is one of the most

attractive countries for compa-

Britain in brief



finance centre London maintained its status as Europe's main financial centre last year with the num ber of banks leaving the city equalling those coming in. The latest survey by Noel

European

Alexander Associates, a consultancy which specialises in financial statistics, shows that London lost 22 banks last year while the same number moved into the city. The number of foreign hanks in London totalled 494. The numbers are slightly misleading since seven of the apparent departures, according to the compilers of the survey, were due to mergers or restructuring of foreign banks. Enropean banks accounted for more than half the departures or mergers and US banks for another five.

Police probe charity funds

The City police fraud squad is expected to launch a formal investigation this week into the disappearance of \$8.8m from the Salvation Army.

The heightened level of inquiries comes as investigators continue to search for details of Islamic Pan American Bank, which is named in a writ issued by the charity as part of its efforts to recover the missing funds.

The July 1992 edition of the Bankers' Almanac saya that the bank is based in Buenos Aires, with nine representative offices around the world. The bank has been under investigation by the police since last summer and is on the warning list of the US Comptroller of the Currency.

Housing plan to exceed target

for the needy will almost certainly exceed its target, according to figures due to be presented to officials this

The scheme to help the depressed British housing market, announced in the Antumn Statement in November, is due to finish at the end of next month. Just over half the 16,500 empty properties acquired so far have been hought from recession-hit honsehnilders, according to the housing corporation responsible for administering three quarters of the money.

City's economy set to worsen

Greater London will perform worse than any other UK region this year in terms of economic growth, while Wales will lead the way to recovery. according to a report published today by National Westminster

growth will be "very modest" over the next five years with unemployment expected to come down only slowly from a peak of 3.25m at the end of this year. It warns that demand will be constrained by several negative factors, including large fiscal and trade deficits. high consumer debts and wor-ries caused by job insecurity.

Small firms report upturn

A modest npturn in husiness confidence is reported in two surveys by the Small Business Research Trust published today. In a survey for Lloyds Bank, 63 per cent of companies questioned said they were stronger or unaffected by the recession. More than half said sales had increased last year and almost as many expected sales to be higher this year.

Tidal power to be developed

A UK team of energy experts is attempting to develop a new way of generating electricity by using the power of tidal cur-rents. First tests will be made this spring off the west coast of A £750m government pro-gramme to buy 20,000 empty rotor driven by the rise and rotor driven by the rise and

Overseas competition cuts into machine tool sector Andrew Baxter charts the decline of a fading star in manufacturing



sterling's Can Britain devaluation. make it? After all his British competitors markets are now more than 15 per cent

Not at all, he said. But 10 years ago it would have been different. Britain had a machine tool industry then.

Today it reflects the decline of Britain's engineering industry. UK industrialists complain with exports some 20 per cent larger than imports. Adjusted for inflation, the

they are forced to buy foreign equipment for their factories. But Mr Neil Johnson, head of the Engineering Employers' Federation (EEF), maintains the only thing wrong with mechanical engineering in the UK is its size. The problem might seem

exaggerated if the bare figures are anything to go by. Last year, the UK had an apparently numbers tell a different story. In 1993 money, as calculated by

the EEF, total output has fallen from £45bn in 1979 to £33bn last year, in line with that of French mechanical engineering, but a long way short of the German sector, Europe's higgest Exports slipped from £15bn

to £12bn, while imports have risen from £9bn to £10bn.

sectors has varied widely, although none could be called sparkling. Comparing 1990-91 1978-79, the worst performer was fabricated and structural steelwork, where exports fell 57 per cent and imports surged by

Next worst was mining machinery, a sector now facing a deeply uncertain future in its domestic market Imports have risen by 48 per cent while exports have fallen by 61 per

was power equipment, where exports fell 44 per cent and imports dropped by 71 per cent, due mainly to the lack of UK demand. But real progress was made in ball and roller bearings (exports up 23 per cent,

imports up 4 per cent). UK companies have also been hit by newly-industrialised countries. Previously captive export markets have built up their own industries. So how can Britain improve

nies that want to establish a In the short term, there is excess production capacity of 20 to 40 per cent that can be

soaked up as the world recovers from recession. Going beyond that, however, needs new investment. The history of its performance? One answer is the past 20 years suggests that

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FTE2-FF

o persistently high is Brazil-ian inflation, that the Cen-tral Bank has run ont of famous Brazilians to put on its banknotes and resorted to Amazonian fish (there are more than

A good lunch costs more than Crim (£39), shops have to ring up large items in parts to fit on the tills and calculators can only be used by dropping three zeroes, despite two changes of currency in the last five years.

This is irritating enough for the average person who has lost all sense of what something should cost and must spend hours each day calculating how best to protect his or her money, consulting the 13 indexes for monetary correction published daily for everything from tax bills to savings accounts. Imagine running a business in such a

Luis Junqueira, financial director of Alpargatas, Brazil's leading footvear and garment company, describes keeping up with inflation which has been above 20 per cent a month for the last 15 months and in four figures for five of the last six years, as: "Feeling like the white rabbit in Alice in Wonderland, always late." He adds: "I have all the textbooks on financial management but may as well throw them down the drain for all the use they

With inflation at 1.25 per cent a day and interest rates considerably higher, a company can be made or broken on its cash management and it is crucial to keep a constant track of money and have a strong credit

control department. Milton de Carvalho Cabral, financial director of Souza Cruz, the Brazilian subsidiary of BAT Industries, says: "Our main challenge is to ensure that money earned from sales all round the country reaches headquarters in Rio as rapidly as possible in order to invest it. An bour lost can be an opportunity

Terms of payment hecome an important factor. Cabral attributes the financial bealth of Souza Cruz to the fact that it gives stockists only three to five days to pay. The aim is to have a long lead time in paying suppliers, but fast collection of receivables. Thus retailers often sell products for less than they pay suppliers. If they can sell within 15 days but have 30 days to pay, the cash can be invested for 15 days in the moneymarkets where the real

profit is to be made. As a result, financial divisions tend to carry far more importance than the production or marketing departments. Most leading manufac turers estimate their financial department is at least 40 per cent larger than would be necessary in a low inflationary climata. AutoChristina Lamb describes the ups and downs of doing business amid skyrocketing prices in Brazil

A rollercoaster out of control

latina, the holding company for Ford and Volkswagen, has a larger financial department than Ford

Inflation is nothing new in Brazil it has been more than 400 per cent a year since 1987 - and compamies have developed many mecha nisms to survive and prosper. In many cases the core activity has become simply a means of generating cash for financial operations on which the real profits are made. Eduardo Giannetti da Fonseca, an

economist from São Paulo University, explains: "Inflation breaks the connection between what you sow and what you reap. It's a school of

s the site of boot camp for

the shock troops in the bat-

Ltle to cope with Russian

inflation, faw places could out-

That was the conclusion of the

McDonald's Corporation, And that

is why it sent a group of high-level

rainees there for a crash course

in how to brave inflation in a

country where prices have risen

by at least 400 per cent a year since 1987. Last year, Russia's rate

of 1,450 per cent was one of the

few to top Brazil's astounding fig-

The contingent consisted of

three Canadians, including the

head of Russian operations, and a

native Russian vice-president. The

Canadian subsidiary controls the

branch in Moscow, where the out-

let on Pushkin Square is the fast-food company's busiest.

"They came in search of the

tools needed to manage and oper-

ate in a hyper-inflationary envi-

ronment," said Gerson Ferrari,

finance director for McDonald's in

Brazil. Ferrari led them to multi-

nationals well-versed in adapting

to rocketing prices - firms such

ure of 1,149 per cent.

Inflation lessons

over a Big Mac

financial wizardry rather than supply and demand.

Rather than putting money into the company, cash goes into finan-cial operations. This has had negative repercussions on areas such as marketing, quality, productivity and product development, which could be devastating once Brazil opens up wider to foreign trade.

William Cosgrove, the financial director of Autolatina, complains: "Everyone's working on the constant battle to recover last month's inflation rather than concentrating on competing with Korea."

The effects permeate throughout

as Cargill, Goodyear and Kodak.

Ferrari's lesson emphasised cash-flow management, control of

raw materials, sales and price-set-

ting strategies and how to hedge for potentially substantial distor-

The visitors learned that in Bra-

zil McDonald's negotiates a sepa-

rate inflation rate for each of its

suppliers. It then uses those rates

for monthly realignments, instead of applying the government's generic inflation figure across the

board. The monthly adjustments for suppliers are "wedded" to peri-

odic price increases for Big Macs,

Could the McDonald's experi-

ence portend a boom in the export

of Brazilian "inflationary intelli-

gence" to the troubled economies

of eastern Europe? "I think there

will be a migration of people in

the financial area to those coun-

There are executives in other

Bill Hinchberger

countries that understand infla-

tion, but the best specialists in this area are the Brazilians."

tries," observed Ferrari.

Ferrari said.

tions in the exchange rate.

finance director of the Montelro Aranha group, says: "Everyone becomes a financial person. The marketing person cannot eimply sell a product - be must obtain the best terms of payment. The production guy cannot just install a new machine to increase efficiency but must study whether it is better to buy now, later or spread over several payments."

The greatest loser is the consumer. Emerson Kapaz, owner of a toy company, says: "There's this stant race against time so when costs go tip 30 per cent prices are automatically adjusted by at least that, thus feeding inflation. It's like a fever." A study by consultants KPMG found that 81.6 per cent of companies listed government mea-sures and inflationary expectations as the most important factors in pricing. Production costs were way down the list.

Moreover, periodic government price freezes (five in the last six years) mean companies fear being caught with prices too low. The longest price validity is 30 days, and companies such as ICI and Autolatina have full-scale price negotiations with unious and suppliers at least monthly — an activity that would occur perhaps annually in

other countries This is a particular nightmare for the retail sector. Carlos Rocca, president of the leading department store group Mappins, points out the store sells 80,000 different items and must negotiate with 6,000 suppliers on a case-by-case basis. High infla-tion also militates against compenies retaining stocks because of rapid depreciation. The retail sector is a constant battle between wanting a rapid turnover and wanting to keep prices up, without losing out to competitors

Winners of this situation are oligopolies and cartels given the continning high import tariffs enabling them to price arbitrarily. According to Fipe, one of the inflation monitoring agencies, oligopolies were responsible for 45 per cent of last year's 1,149 per cent inflation. The instability generated by a



highly inflationary economy means information is at a pramiom, whether on likely government policy, inflationary trends or the best financial instruments of the moment. There are 13 leading ageocles monitoring inflation and former economy ministers make fortunes running consultancies.

The hardest situation is for those running subsidiaries of multinationals, having to calculate in trillions and explain to the parent company the confusing Brazilian accounting system where inflation and monetary correction are often divergent and the impossibility of planning more than three months ahead.

ut high inflation also presents an opportunity, particularly with real interest rates often topping 5 per cent a month. Though reluctant to admit it some companies generate 80 per cent of their profits from financial gains. There are many businessmen in Brazil who would be sorry to see high inflation end.

Eugenio Staub, president of elec-tronics company Gradiente, says: "Brazil offers the best financial profits in the world," though adding that his company always focuses on the core basins

Most large Brazilian companies have turned into banks with large operating tables where dealers are in electronic contact with the money markets. Autolatina is involved in a network of consortia, providing financing to dealers through capitalisation funds to which both manufacturer and dealer contribute. Particular beneficiarles are those who, through export credits, can raise money overseas at low rates to invest locally. Last year Certificates of Deposit offered a 27 per cent return over international rates.

The financial sector is an obvious winner and makes up 15 per cent of GDP - far more than in most countries. With everything from school fees to gas bills payable through banks, holding the float for a few days can be highly profitable. According to the economy ministry there is \$110bn invested in short-term instruments.

So sophisticated is the Brazilian banking system that account holders can invest the money for a day at a time and cheques are cleared

While Brazilian hankars cheerfully admit inflation is good for husiness, manufacturers say financial operations simply preserve the value of profits and mask the bidden costs of inflation, not least the. erosion of consumer spending power which over the last three years has dropped 10 per cent.

Cosgrove says; "So-called financial profits are accounting gains which do not show the long-term costs. No capital-intensive business likes this climate. We need a threeto five-year lead time but here we can't even forecast six months."

There are compensations, Many directors of multinationals in Brazil have returned to their parent companies in top positions and some such as Citibank are sending their high fliers to Brazil on the basis: "If you can survive here you can survive anywhere," says Kapaz.

Linking values to success

link between corporate values and good business Aperformance has bean claimed by more than one management guru in recent years. S it is perhaps encouraging that a survey of executive opinion sponsored by the Digital Equip ment Company reveals the wide-spread use of formal mission tatements in the UK.

Corporate values are defined as important beliefs widely held to be crucial to the success of an organisation. According to the Digital survey 80 per cent of 429 top managers interviewed last year say they have formal state ments, a similar number believe these contribute directly to profitability, and 75 per cent see implementing them as one of their central responsibilities.

Companies' top five priorities - defined both by the relative importance attached to a value and the scope seen for improve ment - are people, competitive ness, customers, quality and productivity. More intriguingly their lowest priorities are social responsibility - mainly because there is perceived to be little room for behaving better - and profitability.

The low emphasis on profits ounds like defeatist talk in the midst of a recession. But the authors believe it may be that companies do not really see it as a value as such, or that profit ability is the result of a value driven strategy

The real test, of course, is whether mission statements are integrated into a company's day-to-day activities. Only 6 per cent of those interviewed openly admitted that corporate values make little practical difference but 30 per cent confessed that short-term commercial gain gets priority if there is a conflict between the two

interestingly the undar 40s turned out to be more single minded in the pursuit of profit than their elders,

*Copies of Corporate Values: The Bottom Line Contribution. Avoilable from Bob Victors, Tel 0256

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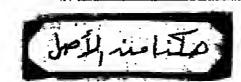
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3

Focus on recovery prospects in G7 industrialised nations

reserves. Canada, seasonally adjusted December retail sales (up 0.6 per cent on month). December department store sales (up 0.5 per cent on month).

Tomogrow: US Federal

(77 per cent). UK, quarterly analysis of long term unemploy-

Comments Environment questions, Debate on the Army. Lords: Debates on the economic and social consequences of government policies, and the transfer of Royal

policies, and the trunsfer of Royal Navel Jobs.
Select committees: environment, subject housing corporation.
Witnesses: national federation of housing association officials.(9.15, room 21).
Parliamentary commissioner for administration, oubject: reports of the heelth service commissioners for 1901-82. Witnesses: south west Thames regional health authority.

the neutri service commensurers for 1931-92. Winnessee: south west Thames regional health authority, Tayside health board (10, room 19), Foreign affairs, subject Europe after Massiricht, Witness: Lord Lewson of Bigby (10,30, room 8).

Agriculture, subject changes in the hiti (ivastock compensatory allowance, Witnesses: UK agriculture departments, (10,45, room 20), Home affairs, subject legal aid, the Lord Chancellor's proposals. Witnesses: Bar Council and Law Society (11,00, room 15). Education, subject special educational needs. Witnesses: association of educational psychologists, radional association for special educational association for special educational

M WEDNESDAY

ATTENTION remains focused on the US this week, after the unveiling of President Bill Clin-

unveiling of President Bill Clinton's programme to tackle the budget deficit and stimulate economic recovery.

Although The US January consumer confidence index due tomorrow is expected to be unchanged, the quarterly GDP figures due on Friday are expected to show a 4.5 per cent annualised growth, underlining the ised growth, underlining the strength of the US economy at the time of President Clinton's

election.

With the UK also due to publish fourth quarter GDP figures this week, debate continues about the prospects for economic

about the prospects for economic recovery.

Although the GDP is predicted to be slightly down on last year, it is expected to show some improvement over the previous quarter. The CBI's monthly industrial trends survey on Friday will give a more up to date picture of business mood.

The G7 finance ministers will meet in London on Seturday.

The G7 finance ministers will meet in London on Saturday, amid continuing concern over the state of the world's economy, but no communique or decision is scheduled.

Some of the week's economic highlights follow: the figures in brackets represent median forecasts, supplied by MMS international, a financial information company.

company. Today: UK, fourth quarter GDP (up 0.2 per cent on quarter, down 0.4 per cent on year). US, January Treasury budget (\$27bn). France, December current account; January official

PARLIAMENTARY DIARY

m TDDAY
Commons: Questions to National
Heritage ministers, Public Accounts
Commission, Commons Commission
and Commons Laader, European
Communities (Amendment) 8 III,

committee,
Lords: Food Protection (Emergency
Prohibitions) (Oil and Chemical
Politation of Fish) Order: Local
Authorities (Recovery of Costs for
Public Path Orders) Regulations,
Dobate on Licensed Berting Offices
(Amendment) Regulations, Debate
on domastic water metering.

of defence (4.30, room 16).

Lorde: Housing and Urban Dovolopment Bill, second reading. Dobale on adult education.

Select committee; foreign affairs, subject: role of the united nations.

TOMORROW

fourth quarter GDP (down 0.2 per cent). UK real GDP

rent).

Thursday: Belgium, RC ministers discuss steel industry. Germany, benicing sector wage talks third round. UK, January trade balance with non-BC countries (£1.3bn deficit). US, money supply week ending February 15, initial chaims week ending February 13, January existing home sales. Canada, January industrial production price index (up 0.3 per cent on month).

Friday: US. Fourth quarter. Year on year % change

cent on month).

Friday: US, Fourth quarter preliminary GDP (np 4.5 per cent), deflator (1.7 per cent); February Chicago purchasing managers survey; January export prices, import prices. UK, CBI monthly industrial trends survey. Japan, February Tokyo consumer prices (up 1 per cent on year), February national consumer prices (up 1.2 per cent on

year), Fehruary national consumer prices (up 1.3 per cent on year); January industrial production (up provisional 0.7 per cent). France, January consumer prices (up 0.3 per cent on month, 2.2 per cent on year).

Saturday: UK, G7 finance ministers meet in London.

During the week: Italy, Decamber wholesales prices (up 2.5 per cent on year), producer prices (up 2.4 per cent; January M2 (5.8 per cent); January trade balance. Germany, import prices (0.2 per cent year on year), preliminary cost of living (up 0.3 per cent on month, 4.1 per cent on year.) month).
Tomorrow: US, Federal
Reserve Board chairman Alan
Greenspan gives Humphrey
Hawkins testimony to House
banking subcommittee; January
cousumer confidence index
(77 per cent) ment.

Wednesday: US, President
Clinton meets British Prime Minister John Major, January durable orders (down 2.3 per cent),
shipments, auto and truck sales
February 11 to 20. Canada,
Decamber wholesale trade (up 0.4
per cent on month); France,

needs. (4.10, room 18).
Employment, subject: unemployment levels and "workfare". Witness: Mrs Gillian Shophard, employment secretary (4.15, room 6).
Health, subject: community care.
Witnesses: Institute of health services

winnesses: institute or hearth services management; essociation of directors of social services (4.15, room 21). Home affairs, subject: legal aid, the Lord Chancellor's proposals, Witness; Lord Mackay of Clashfarn, Lord Chancellor (4.30, room 15). Tressury and civil services, subject: Funnessery and community management and

European community monetary and budgetary matters. Witnesser: Bank of England officials (4.30, room 20). # THURSDAY

Comments: Agriculture questions, Questions to the prime minister. European Communities (Amendm

Lords: Clean Air Bill, committee. Radioactive Substitutes Bill.

Findioactive Substitutes Bill, committee.
Findioactive Substitutes Bill, committee.
Welsh Language Bill, third reading.
Debate on the problems of carers.
IN FIRIDAY
Commons: Backberich business—
Debate on civil rights for the disabled.
Lords: Not sitting.

Gillian Tett

RESULTS DUE

IMPERIAL Chemical Industries, the UK's largest manufacturer, reports its preliminary year-end results on Thursday, and pretty

results on Thursday, and pretty grim reading they will make. Hoars Covett expects the group to report fourth quarter pre-tax profits of only \$27m, making a total of \$550m for the year. That compares with \$243m in 1991 and the peak of \$1.50m in 1999.

The poor results will be immaterial compared with the announcement of the board's decision whether to sunder the company in two. The sim is to make Zeneca, the pharmaceoticals, agrochemicals and specialities subsidiary, into a separately quoted company.

ties subsidiary, into a separately quoted company.

Smithkline Beecham, tha Anglo-American drugs and consumer products company, reports preliminary year-end results tomorrow. Analysis expect pretax profits to rise up to 13 per cent to between £1.11bn and £1.125bn, against £1hn a year earlier. tier. Unilever, the Angio-Dutch food

and consumer products group, is expected tomorrow to report that pre-tax profits for the full year break through the figh barrier,

break through the £2bn barrier, an improvement of 13 per cent on the previous £1.79km.

British Aaraspace expects to see a ravival in its fortunes during 1993 following a year in which its performance was undermined by £1bn of provisions. Hopes for a return to profit, however, will do nothing to soften the impact of its preliminary results on Wednesday. inary results on Wednesday. These are likely to show losses of about 21.1bn compared with losses of 281m a year earlier.

Restructuring charges of 2550m in the regional aircraft division have been blamed largely for the hole. The company is due to pay a deferred interim dividend of 3p on Thursday, and a further 3n dividend fay. day, and a further 3p dividend is expected in the final results. The mild weather and new reg-

ulatory regime imposed by Ofgas is likely to be reflected in the final results for British Gas. The company is expected to announce on Thursday that profannounce on Thursday that profits have alipped to around \$500m compared with a £1.16bn last time. Increased competition and lower prices for domestic gas sales may also reduce the company's scope for a substantial increase in dividend. A pay-out of about 14p is expected, against 13.40 last year. 13.4p last year. Royal Dutch Shell will report

its preliminary year-end results on Thursday when a small increase in profits is expected of up to £3bn compared with 12.88bn for 1981. The company is likely to raise its dividend in line with inflation to about 22p from 20.9p last time.

Royal insurance is expected to report a sharp fall in its pre-tax losses when it unveils its 1982 results on Thursday. Losses should amount to between \$105m and £137m, compared with a defi-cit of £373m in 1991. A dividend of 5p is forecast.

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Oruck 3.46

\$50.0 Gruck 3.4p Electra Inv. Tst. 3.4p Electra Inv. Tst. 3.4p Euro Disney FF0.58 Exchequer 12 ½ % 1994 68.25 HongKong & Shanghal Banking Prim. Cap. Und. Phg. Rate Nis. (Ser. 1) \$129.17 Jusco 8% 84g/US\$ Payablo Cv. Bd. 1996 E80.0 1996 503, 889,7US\$ Payablo Cv, Bd. 1996 503, 33 MBE Fin. Gtd. Dual Beato Bd. 2002 \$1033, 33 MBL Fin. 8% % Gtd. Bd. 2001 \$852500.0

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UK 91 % Bd. 2001 Ecu61.25
Wagen Indl. 6.325p
Watson & Philip 3.1p
Wells Fargo Ftg. Rate Sb. Nm.
Feb. 1997 \$137.08
Westpac Barking Sb. Ftg. Rate Nts.
1997 \$192.71

E TOMORROW
Cevenish (IA) 6.35p
Leeds Parmanent Bidg. Scty. Fitg.
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Denmans Elect. 4.3p
Gold Fields Prop. R0.32
London Elect. 5.6p
Multitone Elect. 1.5p
New Witz R0.17
Northern Rock Bidg. Scty. Fitg. Rate
Nat. 1994 Ele. 4 Can. C90.29
South Woles Elect. 6.6p
Triplex Lloyd 2.5p
Vogels Metal R0.20

THURSDAY FEBRUARY 25
Aluminum Co. of Amer. \$0.40
Bk. of Montreal C\$0.58
Banque Nati. de Paris 9°s % Nts. 1983
\$98.25
Bespak 4p
British Land 2.28p
Burtonwood Brew. 0.7p
Exten Corp. \$0.55
Gartmore Scot Inv Inc 2.4p
Do. Package Units \$8.0
Grosvenor Inns 2p
New Throgmorton Tet Inc 1.5p
RHM 6°s % Un Ln '91/85 £4.4375
Treasury 8°s % 2017 £4.75

m FREDAY FEBRUARY 28
Allied-Lyono 8.95p
Anglian Water 6.8p
Archer (A.i) 2.2p
Avon Rubber 11.5p
8k. of Nove Scotle Fitg. Rate Sb. Cap.
Do. 2095 \$189.58
8k. of Scot. Und. Var. Rate Ntz. \$119.17
Beales Hunter 2.45p
Bertam 2.5p
Bertam 2.5p
Bertam 4.5p
Bertam 4.5p
Burndene 10p
Burton 10p
Burton 10p
Burton 10p
Cable & Wireless 4.75p
Cater Allen Equity Growth Fd. Pig.
Pl. 11p **EPROAY FEBRUARY 26**

Cater Alien Equity Growm Fd. Prg. Pt. 11p
Do. Gitt & Futures Fd. Ptg. Pt. 240.0
Do. Gitt inc. Fd. Ptg. Pt. 30p
Chesse Manhattan Fitp. Rate Sh. Nts. 1997 \$100.63
Chemical Banking Fitg. Rate Senior Nts. 1999 \$40.83
City of Odord Inv. Tst. 1.2p
Collateralised Morigage Sec. (No.7)
Class A1 Mtg. Bokd. Fitg. Rate Nts.

2026 £119.48 Do. Cless A2 £181.12 Do. Class A3 £193.53 2022 S119.48
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Do. (No.9) Cless A1 Mrg. Bckd. Fitg. Rate Nts. 2033 S23.41
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Do. Class A3 S193.08
Contra-Cyclical Inv. Tsl. 2.25p
Gen. Motors Acceptance Corp. of Can. Fitg. Res Nts Nov. 1996 C3486.90
Glassgow Inc. Tsl. 1.4p
Grand Central Inv. 19.45
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Greencore IR5p
Haillax S16g. Sety. Fitg. Rate Ln. Nts. 1896 (Ser. A) C25.48
Kenwood Appliances 1.5p
Lee (Arthur) 4.25p
Lloyds Bank Prim. Cap. Und. Fitg. Rate Nts. 1996 S22.95
Manuf. Hanover Tsl. Fitg. Rate Sb. Cap. Nts. 1996 S22.95
Manuf. Hanover Tsl. Fitg. Rate Sb. Cap. Nts. 1996 S22.95
Midlonds Radio 1p
Mining & Aillied Supplies 0.5p
Midsubshi Bank Fitg. Rate Sb. Ln. Proc. Certs. 2000 51023.51
Morgan Grenfell Und. Prim. Cap. Fitg. Rate Nts. 3202.22
Murray Int. Tol. 2.6p
M S W 1.5p
NatiWest Bank 7% Cm Pf 2.45p
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Nationwide Bidg. Scty. Fitg. Rato Nts. Feb. 1893 S179.57
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Nesse Fitg. Rate Nts. 1996 S265.42
New 8 runswick (Province of) Fitg.
Rate Nts. May 1994 C320.63
New Zwaland Fitg. Rate Nts. 1997
S32.16
North West Water 7.13p
Olim Conv. Tst. 4.6p
Cesory Ests. 12.5% 8 d. 1996 \$15880.26
Ragby Gtd. Fitg. Rate Nts. 1998
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17st.FE S0.30
Wolle farge Fitg. Rate Sb. Nrs. 2000
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Woodwich Bidg. Scty. Fitg. Rate Ln.
Nrs. 1995 £195 69
10. Sb. Fitg. Rate Nrs. 2001 £5939.93
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ESATURDAY FEBRUARY 27 Ekspordinans 8¼ % Nrs 1996 Ecu87.50 Treasury 9¼ % 2002 £4 875

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■ SUNDAY FERRUARY 28
Alinati Lon. Props. 101313 1st Mtg. Db. 1994/99 £5.25
Bankers Inv. 751 G 86p
Caspen Oil 1118 Cv. Un. Ln. 194/97
8 02p
Cigna O'seas Fin. 1318 Un. Ln. 2003 £8.50
Derby Tst. Inc. 8 4087p
Ecclestasitical Ins. 1319 Db. 2018 £6 50
Electricité de France 121218 Gd. Ln. 2008 £312.50
Excatibur 111218 Cm. Pl. 5.75p
Giobal Asserts DM 8d. Ecud.05
Do. Mal. Liquid Asserts Ecud.075
Do. Yen 8d. Ecud.05
Do. Yen 6d. Ecud.035
Do. Yen Liquid Asserts Ecud.065
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Do. UK Equity Ecud.018
Do. US\$ Bd. Ecud.05
Do. US\$ Stig. 10 November 10 November

TR Fer East Inc Tst. 7% Db. '97/2002 £3.50

UK COMPANIES

COMPANY MEETING: Dovember (ZA.), Browers Hall, Alc Square, E.C., 1200 BOARD MEETINGS:

COLAPANY MEET INIGHS:
Archimates the, Trust, Gerrard House, 31-45,
Gresham Street, E.C., 12.30
Grand Metropolitich, Groeveror House Hotel,
W., 11.00
Karubew (A.), 8, Consaught Plane, W., 12.00
Linedon & Chydeside Meiga., 1, Park
Quadrant, Chiaggov, 12.00
BOARD MEETINGS:
Elmetri

HONOUS NELETRICS:
Finate:
Advatral
Associates Trust
Associates
East Generous Law, Yal,
12 S. C. Ruc, Inc.,
13 S. C. Ruc, Inc.,
14 S. C. Ruc, Inc.,
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16 S. C. Ruc, Inc.,
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COMPANY MEETHORS:
Abbay Passia loves, Sharston Skyline Hotal,
Bath Road, Hayes, Aideleese, 12.00
First Nat. Flatence Carp., Palatierum Hall,
1, London Wall, E.G. 12.00
Hotenes & Marchant, Brands House, Kingshill
Road, High Wycondos, 10.00
Rank Cryschedine, Gloudaster Hotal,
Harrington Genfers, S. W., 11.30
BOARO MEETINGS:
Finals:

Sritish Agreence

ETHERSDAY PERIODRY 25 COMPANY MEETINGS: Esotrente Data Processing, Tapton M. Hall, Shore Land, Shaffield, 12.00 Middesse Radio, Royal Irt. Moet House, Workston Street, Nortingham, 12,00 Meetrusian Technology, Pearsa House, Parsonage Lane, Bishops Storford, 10,30

RCO Hidge., 20, Old Balley, E.C., 3.00 BOARD MEETINGS:

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Landon Forhalting
Marien hat. Groups leve,
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Romper Usher (Frank) E FRIDAY FEBRUARY 26 COMPANY MEETING, Black & Edgington, The Regis Ment Court, E.C., 10,00

BOARD MEETINGS;

M SUNDAY FEBRUARY 28 COMPANY MEETING: NFC, Royal Concert Hall, Nottingham Centre, Nottingham, 1100

Company meetings are entual general meetings unless otherwise stated.

Please note, Reports and accounts are not normally synilable until approximately rix weeks, after the board meeting to approve the preliminary touties.

The picture's

not complete

without



The American Legend.









The Leipzig Spring Trade Fairs for structural change



From 9-13 March 1993 in Leipzig, Germany.

I am particu	larly interested in:
	□ Comtrans □ Unitec □ Innovationsforum Leipzig
\ <u></u>	Lite (Posts) Fieder (Compre
Complete	Telephone, Affin , dome
Festion	Please send this form to:
	Leipziger
Address	Messe GmbH, Postfach
	720, D-7010
	Leipzig, Fax (03 41)
	LEIPZIGER FRÜHJAHRS MESSE

KYLE STEWART has won a £34m contract for the new Public Record Office at Ruskin Avenue, Kew.

The contract comprises four works sections; the construction of the new building which will provide 12 self-contained repositories of 15,000 sq metres containing 90 kilometres of mobile shelving, as well as offices, conference and training facilities, conservation laboratories and the refurbishment of the existing building including enlarged public restaurant document search room and the relocation of the reference

The new Public Record Office will reinforce end improve Kew's reputation with continued emphasis on the preservation of documents and their availability to the public. Work has started and the 174 week contract is scheduled for

completion in June 1996. The four-storey huilding will have a total floor area of 27,000 so metres and will be constructed of an in situ reinforced concrete frame clad in huff coloured precast stone panels. The pitched roof will he finished in Welsh slate.

The huilding will be fully airconditioned and the repositories, which have stringent environmental requirements. will be separated from other areas by atria.

A computer controlled car and track system will also be installed for document transfer between the repository and the search rooms. Extensive landscaping will assist in the integration of the existing building with the extension and provide an appropriate civic setting et the Thamesside location.

Motorway work KIER CONSTRUCTION has

acquired the rights to the M74 contract in Strathclyde follow-ing the receivership of LLC Realisations (formerly Lilley Construction).

Kier, on hehalf of Strathclyde Regional Council, will complete work on the £17m contract of which about £9.7m is outstanding. The project is funded by the Scottish Office.

Apartments in Abu Dhabi

Following six months of tions continue for a second negotiations, JOHN LELLIOTT project in Abu Dhabi for a 22-INTERNATIONAL has been awarded two overseas contracts approaching £100m. The first is for the construction of e 24-storey luxury development on the Ahu Dhabi Cornishe.

The project, valued at £60m consists of 20 levels of apartments, four levels of retail space and four levels of underground car parking, was negotiated with representatives of mence on site in May 1993 and His Highness Shaikh Saife hin is to be completed in 22 Mohamed Al Nahyan. Negotia-

storey block of offices in Hamdan Street valued at £40m.

Lelliott attribute their success in part to a pioneering approach to the design of the project using fast track tech-niques based on the use of a steel structure, a method of construction little in evidence in the UAE in recent years. Work is scheduled to commence on site in May 1993 and

resort development in St Lucia. West Indies, where agreement has been concluded with New Century Developments Inc. New York, US in respect of a hotel, casino, golf course and villa complex valued at US49m (£33.8m).

The construction manage ment agreement, which is in joint venture with Balfour Beatty Inc. is set to commence in June. The development is designed on a high quality/low maintenance specification.

£60m American bridge development

BALFOUR BEATTY, based at involves the replacement of Thornton Heath, Surrey, has received its largest-ever civil engineering contract in the United States with an US\$86m (£60.1m) award to replace a rail vieduct end drewhridge in Bridgeport, Connecticut with new and partially refurhished structures.

The project for the Metro

Peck drawbridge and the refur-hishment of Bridgeport viaduct which together carry passenger trains on the line running from New York to Boston as it passes over the Pecquonock

A temporary crossing of the river will be constructed to carry two lanes of rail traffic North Commuter Railroed during the demolition and

gramme is in progress.

will be dismantled in stages.

Building conference centre in India

The BOVIS INTERNATIONAL one of India's largest business construction company has been awarded its first contract In India, a construction consultancy role on the building of a US\$25m (£17.5m) hotel and conference centre in the city of

The P&O Group company's client for the two-year project is Jaiprakash Industries Ltd,

conglomerates, with interests in property and construction. Situated in northern India, and home of the Taj Mahal, Agra is already an established tourist destination and has a

egement and building exper-tise, particularly in obtaining high quality finishes on all thriving husiness community. Building work on the 230 bedroom, five star hotel and adjoining conference centre has work under way in Europe Asia and South America.

Central ordnance depot at Donnington

CONSTRUCTION companies have won £28m worth of new work in two construction management contracts in the UK and the US.

tion Management has won a an estimated £15m of works ings.

HOUSE services at the Army's central ordnance depot at Donnington, near Telford. Work at the base will involve

controlling and managing the electricity supply, water supply Traialgar House Construc-ion Management has won a ways, landscaping and mainthree-year contract managing taining the fabric of the hulld-

overall length to 3,636 metres. Mixed batch awarded to Lovell companies

Companies within the building and civil engineering construction division of the LOVELL GROUP have won contracts valued at over £30m. Within this total Bullock Construction has gained £20m

works for Zeneca, the newlyformed ICI subsidiary, in connection with the pharmaceuticals and specialties business. The contract, which covers worth of new work. The largest operations at several locations portion of this is a three-year in the north west, has a total term agreement involving projected value of £16.5m and

increases the period of continued service to ICI to about 23

Walter Lilly has won contracts in excess of £1m including further work for Nestlé at Hayes and additional homb damage restoration at the Baltic Exchange in the City.

while the rebuilding work pro-

Once the temporary crossing is fully operational the draw-hridge will be completely demolished while the viaduct The new 1.25km structure

will be constructed using con-crete and structural steel. The contract is scheduled for completion in 1998.

begins in the spring with Bovis

International supplying a con-

struction consultancy team

who will provide design man-

exposed surfaces throughout

the project. The company also

Trafalgar House Construc-

tion's US subsidiary, Federal

Construction, has won a

£13.5m management contract

for the runway extension proj-

ect at southwest Florida

regional airport in Fort Myers.

runway 6-24 will increase Its

The 1,090 metre extension of

Big business comes to town. Sir Allen Sheppard, chairman of Grand Metropoli-tan, chaired the first board meeting last week of London Forum, a group of business leaders who want to help promote London overseas. Seated to the right of Sir Allen are Jan Hall, chief executive of

partner Coopers & Lybrand; Sir Idris Pearce, chairman English Estates; Sir David Scholey, chairman S G Warburg. and Sir Colin Marshall, chairman British Coley Porter Hall, and Michael Howard, the environment secretary. Back row as Robert Louis-Dreyfus in January 1990 and helped steer it through a period of much-

For the first time since the summer of 1991, Sastchi &

Saatchi will have a finance director on the main hoard. Wendy Smyth, who has been chief financial officer, is promoted with effect from April 1. Charles Scott, who joined the company at the same time

Valerie Scoular, general manager of British Airways' ground operations in London, has been promoted to be direc-tor of human resources. She will be responsible for the administration and development of 49,000 staff.

Scoular's promotion is part of the second hig reorganisation of BA's marketing and operations team in less than 18 months. The last time the changes were precipitated by the ahrupt departure of BA marketing chief Liam Strong to become chief executive at Sears. This time they have been triggered by the promotion of Robert Ayling, Strong's as a graduate trainee in 1977, is

tions division. Saatchis will in fact be with-Now Lonis-Dreyfus has departed for Adidas, and Scott has stepped up to become chief The company says that the

from left: Brian Pearce, chairman Pearce

Signs; Clyde Williams, chief executive WWA; Nigel Fox-Bassett, senior Partner Clifford Chance; Sir Brian Jenkins, senior

title of chief operating officer has been lost; it had been appropriate when Scott was sorting ont the individual operating units, "but now that task is completed and we are paired down to a minimum," according to a spokeswoman . Smyth, 39, who trained et

needed restructuring, had

been finance director until

July 1991. He then became

chief operating officer hnt retained hoard-level responsi-

hilities for finance as well.

executive.

Thomson McLintock, joined Saatchis in the US in 1982, before becoming UK regional finence director in 1984. Between 1986 and 1989 she was finance director of Saatchi & Saatchi Advertising International, and then held the same position in the communica-

another three months because in late March Smyth goes on maternity leave - timed when it had been expected that Louis-Dreyfus would stay until June. Her responsibilities

will be spread around the finance department, although the hreak comes at e quiet time, after the year's results are announced on March 9.

chairman Highpoint and Maurice Saatchi, chairman Saatchi & Saatchi.

The other members of the board are Sir

Hugh Bidwell, chairman London Tourist

Board, Sir Brian Wolfson, chairman Wembley, Sir Christopher Bland, chairman LWT, Harvey Goldsmith, director Allied Entertainments, David Goldstone, chair-man Regalian Properties, Ian Reeves,

out a finance director for

Sir Christopher Hogg (left), chairman of Courtaulds, bas been appointed to the board of SMITHKLINE BEECHAM on the resignation of Alain Gomez, chairman and chief executive of Thomson SA. SIr

Archibald Forster (right). recently retired chairman and chief executive of Esso UK. has been eppointed a non-executive director at UNITED NEWSPAPERS. Frank Amhnest bas retired from HARMONY LEISURE.

Ayling changes his crew

successor at BA, to be group managing director.

Ayling has taken the opportunity to reorganise his old marketing and operations department. In addition to the existing flight operations, human resources and engineering and information management departments, Ayling has set up seven new units: regions and sales; marketing; network management; operations; service delivery; cargo and business units.

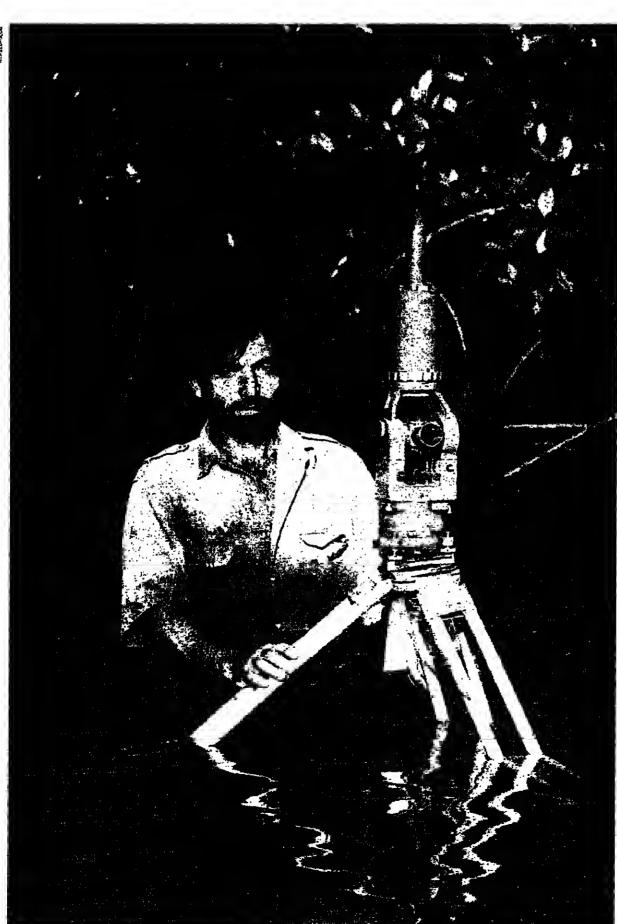
Scoular, 37, who joined BA

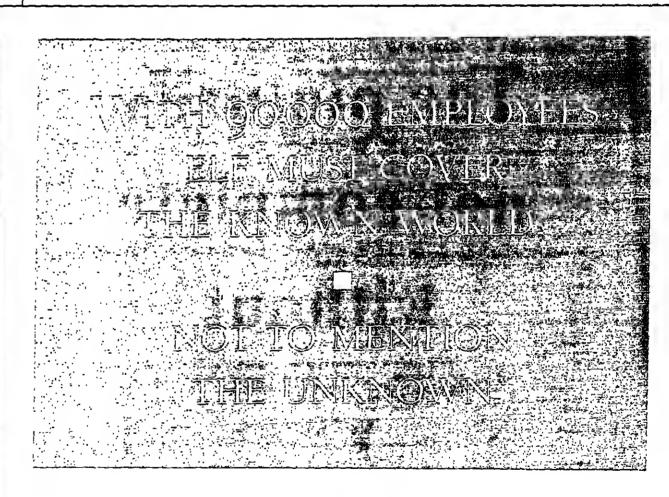
taking over the human resources part of the job being done hy John Watson, director of human resources and information management. Brian Haydon, the current deputy, has been made director of information management. Meanwhile, Watson has been appointed director of regions and sales and takes charge of the airline's sales activities worldwide as well as regional

Among the other new appointments are Mike Street, director of service delivery:

Kevin Hatton, director, cargo; and Miko Batt, director of mar-keting. BA is looking for a head of husiness units, who will be responsible for airline subsidiaries, However, Ayling's new

empire is not as big as it sounds. BA has confirmed that Sir Colin Marshall, the new chairman, retains direct executive responsibility for finance. corporate strategy, safety, security and environment, health services, company secretariat, legal, communications and public relations. The respective directors and heads of these departments report directly to him.





espite our name, Elf's success is built on thinking big. We're the leading French industrial group, the 4th in Europe and the 7th largest international integrated oil and gas company in the world.

Our researchers, engineers and explorers cover five continents with their ceaseless endeavours. We drill for oil in 30 countries and under 3 oceans

(not to mention under Paris). And among our staff we have 60,000 people working

in the chemical and pharmaceutical fields. But we never miss a chance to seize new opportunities. We recently became the first western company to sign exploration and production sharing agreements in Kazakstan.

Yet more unexplored fields to conquet. 🖾



OUR DEDICATION GOES FURTHER

Architecture/Colin Amery Making London better

The facts about the new Chelsea and Westminster Hospital are pretty extraordinary. It is the only brand new urban teaching bospital in Britain. It is described as the largest and most ambitious hospital development in the UK. It has 70 different departments, 665 beds, eight operating theatres and 260 bedrooms for nursing staff. It was planned and built in five years - a record for the NHS. The building cost £117m to construct. It opens in London as the government announces plans to close several Loo-don hospitals because there are too many hospital beds in the capital ...

The new hospital is situated on the site of the old St Stepben's Hospital in the Fulham Road. The old hospital had grown from the infirmary of the former St George's Unioo Workhouse and no tears were shed when it was decided to demolish it. But tears were shed by some over the decision to close four hospitals - Westminster Hospital, Westminster Children's Hospital, the West London Hospital and St Mary Abbots Hospital and to bring all the services they offered to the new site at the congested eod of the Fulham Road, surrounded mainly by streets of modest bouses. This was very much ao estate maoagemeot manoeuvre of the 1980s which depended for ita success on the willingness of property developers to buy tha old bospital sites to fuod the new

building.
Architects for tha new development were chosen by the Riverside Health Authority through e form of limited competition, which was won hy the firm Sheppard Robson (the partner in charge of the scheme wes Sinclair Webster), In many ways the new bos-pital represents the new style NHS. I was fascinated to learn that the architects were chosen not so much because they had designed lots of hospitals (they hadn't) - but because they had plenty of commercial experience and were ready to design for a

"fast track approach

1. the Coliseum with clod-hopping

coarseness from Opera North, for

whom it was conceived with much of

the same cast three years ago. Time

has dooe nothing to mellow it or lend

any discrimination to its relentless,

cloow-oudging jokiness. Some of the

excesses hove apparently been

trimmed back, but more than enough

of the deadly gags remain to ensure

that the production remains irredeem-

A fair proportion of the audience

did laugh beartily at Friday'a open-

ing, but to me it seemed as glum an

evening at a comic opera as ooe could

have the misfortuoe to encounter.

Early lo the preparations for this

staging the production team appears

to have taken the decision that Don

Pasquale was so weak dramatically or

musically, perhaps even both, that it

needs all possible help to come alive

on stage. If even this Donizetti agnos-

tic can hear that the opera is both a

fount of delightful music and a subtle

and affectionate comedy of manners.

SAFELY RETURNED from Wembley

to Covent Gardeo, Andrei Serban's

celebrated production of Puccini's

Turandot began a new run of 11

sung by two or three artists; bot

oo Saturday Turandot was again

Dame Gwyneth Jones, steely and

indomitable, with Vladimir Popov

in lusty voice as ber Prince Calaf.

performances on Saturday. By the

end, every solo role will have been

ably vulgar and unperceptive.

suntle comedy arrives at

laboratories, universities, shopping centres, offices and housing. At Tritoo Court, Finsbury Square, it designed the most agreeable and successful the most agreeable and successful large atrium in the City; its work at Royal Mint Court is perhaps less successful. As a well established British firm that has successfully operated in both the poblic and the private sectors, it was particularly well placed to plan the first of a new generation of bosnifals. bospitals.

The brief called for a very large building oo a site that is surrounded by small-scale houses and shops and suffers from a placoers' haight restriction. The unusual decision was made to incorporate shops (as yet unlet) on the Fulham Road entrance froot, and to design the whole hospital arouod a huge glazed atrium which is like an indoor street. It is naturally lit and ventilated, using the power of the sun and the heat loss from the surrounding building. The atrium is the most remarkable element of the design and is something of a tour de force as a unifying elemeot in the whole hospital.

You enter the hospital beneath a faintly absurd Teflon canopy oo the Fulham Road and proceed through the slowly revolving doors, as though you were going into a supermarket. Wheelchairs and zimmer frames can be accommodated by the moving doors. The main reception desk commands the entrance to the etrium and is manned by friendly atteodants. (It seemed to me that the success of the whole hospital depends on the patience of the staff on the main desk. Because of tha size of the hospital they are going to be asked for directions 24 hours e day.)

The buge white atrium, with lifts and escalators, defines the centre of the huilding, but the actual circulation, and finding your way, still depends largely oo signs and graphics. These are definitely inadequate and, much as the architects may deplore the spread of the handwritten notices, they will soon be everywhere. Sheppard Robson has e record of I was amazed how difficult it was to competence in the design of research read the signs and felt initially as

Don Pasquale/Turandot

North and now ENO, which is proud

to announce this as the company's

first new Donizetti production for 25

Mason and his designer Joe Vanek

set Don Pasquale in the Rome of the

1990s; Pasquale himself is a hard-

nosed property developer, Ernesto a

feckless yuppy, Norina a fashioo-fol-

lower who runs a pavement kiosk.

The updatiog works smoothly

enough, but brings no fresh insight or

perspective. Instead there are just added opportunities for feeble jokes.

each one painstakingly repeated sev-

eral times, about gawping American

tourists, Italian motor scooters, indo-

lent house painters, bimbos from aer-

obics classes. The level of bumour

never rises above the most obvious:

most of it wouldn't be out of place in

a Christmas pantomime, so that one

half expects a song sheet to descend

ter. Aodrew Creeowood cooducts

with breezy efficiency, even if under-

As rehearsed by Vernon Mound, ths

staging still looks terrific in Sally Jacobs' designs, though memory

says that Ping. Pang and Pong'e

athletic exertions used to be even

more strennous. The new Pong is

was a touch lightweight for their

trios. The opera is oow conducted

by Mark Ermler, whose broad authority was evident once past Act

lan Thompson, whose true tenor

Musically, though, it does pass mus-

from the flies in the final scene.



The canopy over the Fulham Road entrance of the new Chelsea and Westminster hospital

confused as I do lo an airport. Because the architecture is so uniform and the overall colours so bland, there are few markers to guide the visitor or the patient. Also, people are so preoccupied in bospltals that they get lost much more often than they do in other buildings, and so oeed more balp from the architecture rather But in the strium you do oot feel as

though you are in a hospital at all. It is an enjoyable place to be and the idea of inserting separate small buildings into the space - auch as the chapel and the dispensary - adds e little buman scale. There is also a great deal of art around the place, some good and some terrible. On the whole the paintings are better than the sculpture, especially the waterfall series by Mel Chantry. Clant trees help to furnish the strium but at the same time contribute to the sense of unreality; they have to be lit by special lights and will need a lot of

When you reach the waiting areas

for the out-patieots they come as something of an anticlimax after the brilliant height of the atrium. These low spaces, filled with ghastly NHS furniture that must have been a job lot from the 1950s, often bave oo views of the etrium and not much light. The wards are fairly standard. with groups of six or eight beds separated from the staff areas by low walls. The ward floors work well with a sense of semi open-plan allowing a fair degree of privecy. Again the furniture is disappointing - Parker

Knoll of the '50s reigns supreme. I am sure that patients well enough to totter about will make for the atrium all the time because it brings s light and elegant dimension to the whole hospital. Its lighting is stylish and there is constant activity, and the whole idea of making ooe big space for all the vertical and horizootal circulation is a hrave one. The size of the hospital was not the architects' decisloo; it could be overwhelming, especially to the elderly finding their way about unescorted.

From the outside the design of the main building is orderly and cootrolled and fits a great deal oo to a small site as unobtrusively as anyone could expect. I would not want the great chimney at the bottom of my expensive Chelsea garden, but I do feel that the architects have done their very best to be good, if large,

Is this the first of a series, or the last of a line of NHS hospitals? I would have thought that patieots prefer smaller hospitals, less enclosed worlds for medicine, and less evidence of the scale of the vast NHS bureau-

There is one completely marvellous thing in the new hospital. Not so long ago a wise chaplain of the Westminster Hospital acquired a magnificent painting of the resurrection by Paolo Verooese (1528-1588), which has now heen moved with its glorious gilt frame to the chanel at the heart of the new hospital. It is of such superh quality that, in every way, it outscales its surroundings.

BBC Symphony

A bright baton

Friday's BBC Symphony concert was exciting to hear oo Radio 3 - eveo more, oo doubt, in the Festival Hall. That was not only because the peerless Hakan Hardeoberger played Peter Maxwell Davies' receot trumpet concerto, but because the conductor Eduardo Mata had bright, unexpected ideas about his otberwise hyper-familiar programme. At the start, his crisp,

puncby reeding of Mozart's "Haffoer" Sympbony gave notice that this was oot to be a run-of-the-mill concert. Mata is Mexican, and like most musicians from the Hispanic world be prefers rbythms to be extremely taut not rigid, for (as we were to hear in bls Ravel) he tikes hold rubato ouances too, but precise and snappy. It was delightful, for once in a way, to hear Mozart's Andante sped along with such unhesitating energy.

The Davies coocerto, a sort of mini-opera with the trumpet in the role of Saint Francis. was an experience in itself. Hardenberger's virtuosity is of the gleaming, well-honed kind, whare the dedicatee of the work, John Wallace, cultivates a greater variety of quasi-vocal sounds and shadings; but as the piece proceeded toward its visionary close, Hardeoberger's fantastic security (the part is taxing to the nth degree) established its own spell.

Mata drew marvellous colours from the orchestra. The long passage in which a dark orass chorale evolves over e darker bass pedal, while marimbas and glockenspiel twinkle above like sunlight on Orcadian waves and the trumpet soars in high, slow phrases was memorably beautiful. Easy to understand why only Hardeoberger and Wallace, so far, bave dared to perform this work; but it must surely have an assured future.

The coocert belonged to the BBC's "Freoch Connection" series, with the excuse of two Ravel pieces in the second half. But that proved to be more than just an excuse; Mata had points to make. La Volse followed directly upon the Volses nobles et sentimentales, with no applause permitted between. Where the Volses are generally treated as delicate parlour-invections - the original planewriting is notably spere -Mata aimed to show just how closely akin they are to the

grander, wilder La Valse.
The first of the VNS was a full-scale explosion, the seventh an expansively dramatic study in sweeping and swooning. In all the alighter waltzes. Mata reminded us forcefully that though the piano score may be spare. Ravel's orches-tral versioo is sumptuously tricked out. lonumerable details that usually wbisper past the ear became vivid and significant. The nightmare of La Voise came as a oatural culmination (or inevitable disaster) - just as Mata intended, obviously. Fascinating.

David Murray

BBC Sympbony Drchestra Royal Festival Hall, Loodon

New York Theatre/Karen Fricker

Spic-O-Rama

prodigiously talanted young performer whose recent one-man play Spic-O-Rame reveals that he is on the way to an excellent writing career. In Spic-O-Rama, which played at New York's Westside Theatre, Leguziamo portrays, in turn, six members of the Cigante family of Jacksoo Heights, their eldest son's wedding.

Everything about Spic-O-Rama, from its title to its sardonic pre-show disclaimer that "this Latin family is not representative of all Latin families ... if your family is like this

ooe, please seek professional help," to Leguziamo's appropri-atioo of stock types for their comic and tragic value makes clear that be is oot going to pander to those who have called his work politically incorrect. The Cigantes are, as tbeir name suggests, larger than life, bot what makes this play effective satire is that it spriogs from Leguziamo's acute and unflinching societal observation.

Spic-O-Rama wants editing - it is too long and becomes heavy-handed - but Leguziamo'a performances and unstoppable energy carry the even-

Roy Arcenas' set places us in an archetypical urban wasteland of dented chrome, graffiti and chain-liok fences. In bounds oloe-year-old Miggy Cigante, sporting trendily oversized jeans, and tranquiliserworthy excasses of energy. Miggy begs us to take him away from his family of "moosters, freaks and weirdos": "you don't have to go to a

John Leguziamo is a third-world country to adopt me - I'm here!" Slide shows and musical montages keep the play mov-ing while Leguziamo is offstage changing costumes. He next emerges as teenaged Raffl, a would-be Shakespearian actor, who claims be's the hastard soo of Laureoce Olivier. Desert Storm veteran Krazy Willy ered a hero for having shot at "people who look like us except they have towels on

their heads" Leguziamo's characterisations are all remarkable, but meterfamilias Cladyz, wbo minds the family launderette, is his greatest feat. Her bitchy prattling about a life trapped in endless cycles of spin dryers and bahy-making is the produc-

tioo's most acidly funny seg-Two unsubtle portraits blunt Splc-O-Rama's effectiveoess. Wheelchair-riddeo brother Xavier spouting bile about his screwed-up family is an obvious and beavy-handed symbol, and, having met the rest of the family, it is absolutely no surpriae that father Felix, who gives an overloog wedding toast at the play's end, is a

sexist lout. Despite sell-out audiences. Spic-O-Rama played only a limited engagement in New York, largely because Leguziamo's talents are in demand. He is sppearing in the film Super Mario Brothers with Bob Hoskins, has filmed both Spic-O-Rama and his previous series of monologues, Mambo Mouth, for Home Box Office cable TV, and is working oo his first screenplay.



BERLIN

OPERA/DANCE Deutsche Oper Tonight: Bejart'e Ring Round the Ring. Tomorrow and Fri: Dis Zauberflöte Wed and Sun: Jiri Kout conducts Götz Friedrich's new production of Dar Rosenkavalier, with Karan Armstrong and Kurt Rydl, Thure: Der Illegende Hollander with Ingrid Haubold and Simon Estes. Sat Aida with Galina Kelinine and Giorgio Lemberti (341 0249) Staatsoper unter den Lindsn Tonight: studio production of Hindemith and Martinu one-act operas. Tomorrow: Minkue' ballet Don Quixole. Wed end Sat: Tosca with Tiziana Fabbricini, Sargel Larin end Sherrill Milnes. Thurs: Jenula with Eve Merie Bundschuh. Fri: Die lustigan Weiber von Windsor. Sun: Meistersingar with Günter von Kennen, Reiner Goldberg end Hans Tschammer (200 4762) CONCERTS Philharmonie Tonight: Yuri Simonov conducts Orchestre of the Deutsche Oper in

Rimsky-Korsakov's Sheherazade and Prokofiev's Fifth Symphony. Tomorrow: Martha Argerich end Nelson Freire plano duo. Wed: Barlin Baroque Orchestra. Fri and Sat evening, Sun morning and afternoon: Cleudio Abbado conducts Barlin Philhermonic Orchestra and Chorus of MDR Leipzig in mueic inspired by Hölderlin March 6, 8: Gaorg Solti conducts concert performances of Felsteff, with José van Dam

(2548 8232) Schauspleihaus Tonight June Anderson song recital. Fri: Heinz Rögner conducts Berlin Radio Orchestra and Chorus in works by Honegger end Sutermaister. Sat evening, Sun morning: Eliahu Inbel conducts Berlin Radio Symphony Orchestra in works hy Rakhmaninov end Shostakovich (2090 2156)

THEATRE A new production of Anthony Burgese' stage version of Clockwork Orenge, directed by Frank Castorf, opens on Thurs at Volksbühne em Rosa Luxamburg Pietz. Between Feb 21 and March 5, the Volksbühne is hosting an Achim Freyer festival, including five stage productions end one film by the German director (282 8978) Berliner Ensemble has

Wessis in Welmar, a new pley by controversial dremetiat Rolf Hochhuth about west Garman arrogance towards the former Communist east. Daily except Mon (282 3160) Schiller Theater repertory

includes Racine'a classical

may be the second and the second seco

tragedy Britannicus, directed

by Wolfgang Engel, and Klaus

set for him Andrew Shore was again a model of comic timing and style; no depth is required of course, and his patter with Alan Opie's Malatesta was slick and expert. Adrian Martin was a plausible, full-tooed Ernesto until his vocal line took him above the stave, when his steadiness began to falter and the sound hecame coostricted. Best of all was Rosemary Joshua's Norina, entering fully into the spirit of the production, catching the douhle-takes with complete assurance and getting around her coloratura with great aplomb. In what will not go down as one of the vintage seasons at ENO. Ms Joshua's deserved emergeoce as a principal is a precious **Andrew Clements**

of the score. Within the parameters

English National Opera at the Londoo Coliscum; performances until April 5. Sponsored by TSB Croup plc.

1 (where there was some first-night disarray). The Romanian soprand Angela Gheorghiu made e striking debut as Liù, pale and pretty. The voice is free, even and secure, with unexpected strength in her last aria. She has a lovely dignity; one was glad that in this production, ber tortures are only symbolic.

Pohl's atudy of Garman

(312 6505)

xenophobia, Die schöne Fremde

Maxim Gorki Theater has

a naw production of ibsen's

Enemy of the People directed by Slegfried Bühr (208 2783)

Theatar dea Westena has



Cola Porter'a musical Anything

Goes, deliy except Mon (3190 3193) Tickets and informetion for theetre, revues, concerts and nightclub ahows evallable from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tai 261 7051 fax 261 9286)

■ GENEVA

 Armin Jordan conducts Orchestre de le Suisse Romande on Wed at Victorie Hall in works by Feure, Norbert Moret end Brahms (311 2511). Alexander Lazarev conducts Bolehoy Orchestra in works by Rimsky-Korsakov, Scrlabin and Shostakovich on Wed in Lausanne end Thurs in Geneva (310 6611)

 Anne Sofie von Otter, accompanied by Bengt Forsberg, gives a song recital on Wed at the Grand Théâtre. The next opera production is Poulenc's Dialogue des Carmelites, opening on Merch 9 with a cast including Felicity Palmer and Marie McLeughlin (311 2311)

MILAN

Teatro alla Scale Maurizio Pollini's plano recital tonight is

the only avant this wask. Arnold Schoenbarg Chorua givaa a concert naxt Mon, followed on Merch 5 by a song recital by Alfredo Kreus. Tha next opera production ia a ravival of the Strehler ataging of Don Glovanni on March 6, conducted by Riccardo Muti (7200 3744)

■ NEW YORK OPERA/DANCE

Metropolitan Opera Tonight revival of La Fanciulia del West with Ghena Dimitrova, Nicola Martinucci end Alain Fondary (alao Feb 26, March 2, 6, 9, 12, 15, 19). Tomorrow and Sat afternoon: Cav and Pag with Waltraud Meiar and Vladimir Atlantov. Wad and Sat avening: li trovetore. Thurs: Der Rosenkavalier with Anna Tomowa-Sintow and Susanne Ouittmeyar. March 11: first night of new production of Ariadne auf Naxos with Jessye Norman (362 6000)

State Theater Bavarian State Ballet opena e two-week eeason tomorrow with John Cranko'e Onegin. The repertory elec includes Minkus' Don Quixote choreographed by Rey Barr and a mixed bill including works by Ashton, Kylian and van Menen (870 5570)

City Center Joffrey Bellet opens a two-week saaaon tomorrow, followed by Merce Cunningham Dance Company on March 9 (581 Avery Fisher Hall Tomorrow: Kurt

Masur conducts New York

Philharmonic Orchastra in

Brehms' Violin Concerto (Itzhak Parlman) end Franck'a D minor Symphony. Thurs evaning, FrI morning: Maaur conducts e programma including Saint-Saana' Second Pieno Concerto, with Ceclie Ousset. Fri avening: Leon Fleiaher plays Franz Schmidt's Laft Hand Concerto, with American Symphony Orchestra. Sat Music of Frenk Zappa. Sun efternoon: Moscow Virtuosi directed by Vladimir Spivekov (875 5030) Carnegle Hall Tonight Laipzig Chember Orchaatra plays works by Haydn, Beathoven and Schubert, with piano acloist Joseph Kalichstein, Thurs: Murrey Parahia pisno recital. Fri (in Waill Recital Hall): Chilingirian Quartet. Sat: Orphaua Chamber Orchestre with violin soloist Ruggiero Ricci. Sun afternoon: James Levina conducts Metropolitan Opere Orchestre in works by Schubert, Bach, Mozart and Stravinsky, with sopreno ao loist Kathleen Battle (247 7800)

W VIENNA

OPERA Kiri te Kenawa sings the title role in Arabelia tomorrow, Sun and next Wed at the Staatsoper, with Wolfgeng Schoene es Mandryka. Tha repertory also includes Giselle tonight and II barblere di Sivigile on Fri (51444 2955). The Volksoper repertory includes a new production of Lehar's Giuditta opening on Wed, plus Nabucco. Die Zauberflöte and Don Giovanni (51444 2959). Tonight, Wed and Set at

Kemmeroper: Shnitke'a opere Lifa with an idiot, staged by Boris Prokrovsky (513 6072) CONCERTS

Tonight et the Musikverein

Marjane Lipoveek gives a aong recital. Thurs and Fri: Michael Gielen conducts Austrian Radio Symphony Orchestra in works by Wabern, Mahler and Suk. Sat: Anne Sophie Mutter. Sun: Refael Frühbeck de Burgos conducts Vienna Symphony Orchestra in Mahlar's Third Symphony (505 8190). Frühback de Burgos elso conducts works by Richard Strauss, Falla and Albeniz on Wad and Thurs in the Konzerthaus, Alicia de Larrocha gives a piano recital on Fri, and there is a concert performence on Sat of Dido and Aaneas, conducted by Thomas Hengelbrock (712 1211)

THEATRE Thia week's repertory at the **Burgtheater includes Peter** Turrini's new play Alpengiühen and Shakeepeere's Macbeth, both directed by Cleue Peymenn, end Kleist'e Das Käthchen von Hellbronn directed by Hane Neuenfela (51444 2216). Akademietheater has Chekhov'a Uncle Vanye end Brecht's atrocity tale Die Rundköpfe und die Spitzköpfe (51444 2959), Theater In der Josefetadt has Ariel Dorfman's Death and the Maidan

and Schnitzler's Liabelei (402 Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater ere eveilable worldwide for holders of credit cards by ringing Vienne 5131

European Cable and Satellite Business TV (All timas are Central European Time)

MONDAY TO THURSDAY Super Channel: European Buainess Today 0730; 2230

MONDAY Super Channel: Wast of Moscow 1230. Super Channel: Financial Times Raports 0630

WEDNESDAY Super Channel: Finencial Times Raports 2130

THURSDAY Sky News: Financial Times Raports 2030; 0130

Super Channel: Europaan Business Today 0730; 2230 Sky News: Financial Times

Raports 0530 SATURDAY Super Channel: Financial Times Reports 0930 Sky News: Wast of

SUNDAY Super Chennel: West of Moscow 1830 Super Channel: Finencial Times Raports 1900 Sky News: Waat of Moscow 0230; 0530 8ky News: Financial Timea Reports 1330; 2030

Moscow 1130; 2230

Dutch rescue keeps Daf on the road

Government intervention is unlikely to cause political controversy, says Ronald van de Krol

lands has never been widaspread. So this weekend's government rescue of Daf, the troubled Dutch truckmaker that was plunged into receivership three weeks ago, puts the authorities in the novel position of controlling almost half of one of the coun-

try's best-known companies. The government's intervention reflects deep concern over the state of domestic industry. Recently, a string of "crown jewels" ranging from Philips, the electronics group, to Fok-ker, the aircraft maker, have either fallen on hard times or have had to turn to foreign companies for assistance.

Nationalisation and privatisation have never been a powerful political rallying cry in the Netherlands. So this weekend's decision by the govern-ment to invest Fl 195m (\$105m) in the "new" Daf - giving it a stake of more than 42 per cent in the successor company's equity - is hardly likely to

provoke controversy. Unlike Britain, where privatisation has had strong ideological overtones, the instrument of state intervention is a highly pragmatic one in the Netherlands, designed to provide a breathing space for a company so that it can put its house back in order.

The Dutch state may be the biggest shareholder in the new, slimmed-down Daf Trucks NV which will be set np this week, but it is a reinctant participant: it does not see itself as a long-term investor.

In drawing up a rescue package for Daf, both the Dutch and the Flemish region of Belgium - where Daf's axle and cab plant in based - were driven by a keen sense of pragmatism: both were keen to safeguard only those jobs in their territories.

Tha Datch wanted to preserve 2,750 of the nearly 7,000 jobs at Daf's home base in Eindhoven, and the Belgians wanted to safeguard 750 of the 1,500 jobs in Westerlo. The fate of Dar's UK subsidiary, Leyland Daf, which employed 5,500 people until the present crisis

tate ownership of industry in the Nether-lands has never been consistently refused to inject capital in the same way as the Dutch and the Belgians.

first undertaken by the govern-

ment so far in the 1990s differs greatly from the interventions

of the 1960s and 1970s, when

hillions of guilders in the form of state aid, grants and subsi-

dies were poured into the ship-

building and textile industries.

These state injections were

designed to sava jobs at all costs in declining industries. But the aid failed to revive the

industries, giving state inter-vention a bad name during the

Under Mr Koos Andriessen,

the economic affairs minister since 1989, the Netherlands has

moved in a policy of promoting and supporting high-skilled jobs rather than siming simply

to preserve employment in

declining sectors. In Mr Andriessen's view, Daf is a

company worth saving at least

in the Netherlands because of its high-technology base, its links with Dutch research

institutes and universities, and

its importance to dozens of

belief in the UK Daf

operations. But he is deter-

mined that if they are to be bailed out it will be by tha

market. Daf is, in effect, retreating to the heavy and

medium-truck base which

characterised its activities

before its takeover of Leyland

in 1987. It is for this reason

that the new Daf Trucks NV

company has indicated that it

may be able to accommodate distribution of the Birming-

ham-made 45 series light van.

is a risky venture that could

yet cause political embarrass-

ment in the Netherlands if the

company goes down a second

time, this time with govern-

ment money. As it is, share-

holders who participated in

Dat's flotation in 1989 have lost

their investment, and subscrib-

ers to this weekend's "Save

Daf' bond appeal run the risk

that their loan to the company

may prove worthless if things

go wrong again. In which case,

Mr Lubbers will have lost both

the government's money and his own F1 1,000 contribution to

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Arrived in the Lincolnshire Heartlands

recently. Anglian Water, Minebea, Bulgin Power

and Baby Bill.

the Daf appeal.

The rescue of Daf, however,

smaller local suppliers. Mr Hesletine has the same

the mid-to late 1980s.

The links between the Dutch and the UK plants, however, mean that UK receivers have been able to secure potential snpply aggreements for the British factories. This will help tha UK factories in their attempts to find the market adlation to their problems desired by the British govern-

The reluctance of Mr Michael Hesletine, the UK trade and industry secretary, to intervene is not just because of the government's attachment to free-market principles; it is also attributable to past support by successive govern-ments (both Labour and Tory) for Leyland when it was part of the wider British Leyland car, bus and truck group. British Leyland still failed to find its feet despite millions of pounds of state aid. Mr Heseltine said.

The government's move is a reflection of deep concern about the state of industry

No such political controversy is likely to be stirred in the Netherlands over the Dutch rnment's financial support for Daf. On the contrary, pub-lic opinion has been skilfully mobilised in support of the company. Last week, the unions and Daf's works council ran a successful campaign under the motto "Keep Daf on the road" to persuade more than 70,000 people and companies to pledge Fi 12.5m towards a special Daf bond. Among the telephone subscribers to the bonds were the Dutch prime minister, Mr Rund Lubbers, as well as all the members of the PSV football club, which is based in Daf's corporate home

town of Eindhoven. The government's decisive support of Daf does not, however, mean that it has entered into an open-ended commit-

For all those feether-brained

In the last three yeers, over 100

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their local operations.

he appearance on the Hong Kong stock marinvestments, a hold-ing company for state-owned antomotive assets in tha southern Chinese province of Guangdong, is the clearest example of the transformation that is taking place in Hong Kong's financial markets. The stock market — which

has been dominated by property companies, financial insti-tutions, trading houses and utilities - is broadening to encompass large manufactur-ing and industrial companies. many of which are be China and controlled by efficial interests on the mainland The result is that four and a half years before its reversion to Chinese sovereignty, Hong Kong is laying claim to the title of "China's financial cen-

Local and international demand for Chinese assets has grown sharply over the past 12 months. For investment mangers the reason is plain. Says Mr Robert Lloyd George, chairman of Lloyd George Manage-ment, one of the fastest-growing fund managers in Hong Kong. "There is no more exciting economy in the world than China's. It is the emerging industrial power in Asia and Hong Kong has the market to play it; it is like Tokyo 30 years Tha Denway Issue set a

record for the Hong Kong mar-ket in the level of oversubscrip-

tion for a new issue. Investors found HK\$240bn (£21bn) for 330m shares vained HK\$400m, or 657 times the amount on offer. The best a single investor could have done in the allocation was just eight "board lots", the tradable parcel of shares on the colony's bourse, or 16,000 shares in total. For that amount ha would have had to bid for 10m shares and put up HK\$12.2m. Popular interest in Denway came as little surprise. New issnes - especially those involving mainland companies - have become a one-way bet. They are usually underpriced and successful applicants in the primary issue are able to make considerable sums by immediately selling a stock when it is listed. Denway's current "grey market" price is more than twice its HK\$1.22 a

But of more significance than the ability to "stag" an issue has been the influence on Hong Kong of economic reform and liberalisation in China. Last year, the country's Gross Domestic Product grew by more than 12 per cent. Econo-

share issue price.

Shares in Chinese companies are hot property in Hong Kong, says Simon Holberton

Mainland moves the market

		of China Stock			
Diging date:	price (HICS)	No of Capital shares (N) Releas (NICSm)	Subscribed	Price 15 Feb	performance %, change
Hal Hong Holdings 7/5/92.	1.6	81.25 91.875	378 .	2.78	85.3
China Overseas 20/8/92	1.08	820 844.6	- 98 -	1.30	35.0
CTS 11/11/92	1	400 . 406	411	2,631	163.1
Guangzhou Investment 15/12/92.	1.05	425 446.25	. 229	1,536	46.5
Denway Investment 22/2/93	122	339 402.6	657	n/a	n/a



New faces: Hong Kong's stock market encompasses many China-based manufacturing companies

mists' forecasts of continued strong growth this year has strengthened international business interest in China, Not even the current difficulties Hong Kong is having with Beifing about its political development have doused investor interest in what are locally known as "China plays" or red (pace Marx) chip

Such stocks will increasingly become available to international investors. In the next 12 months nine large Chinese state enterprises - embracing petrochemicals, brewing, ship building, steel and machine tools - will be brought to the Hong Kong market

They will differ from Denway, which is a Hong Kong incorporated holding company, and Brilliance China Automotive, a Bermuda registered company, brought to the New York market last September, in that they will be incorporated under Chinese law.

This presents a difficult test for merchant bankers because many Chinese companies comprise much more than bustnesses: they often include schools, hospitals and housing and are responsible for the provision of welfare for their workers. Consequently, it is difficult to place a value on the companies and estimates of the aggregate amount of capital to be raised for the nine vary widely. Forecasts range from HK\$7bn to as much as

But the long-term significance for the Hong Kong stock market of the flotations exceeds the amount of capital to be raised. The new issues, marchant bankers believe, reflect a decision by the Chinese regulatory authorities to make Hong Kong the main market for raising foreign capital for corporate China.

Underlying merchant bank-ers confidence was the barely disguised official anger at the approval given to Brilliance to list in New York. It slipped through a gap in regulation created by the transfer of responsibility for stock exchange matters to the Securities Regulation Commission (SRC) from the People's Bank, China's central bank, late last year. The SRC moved quickly in January to prevent Shanghai Petrochemicals - one of

the nine - from seeking a primary listing in New York, as its adviser Merrill Lynch was encouraging it to do. It was told to list in Hong Kong.

The reasoning of Chinese officials in their preference for Hong Kong is is simple and turns on the colony's reversion to Chinese sovereignty on July 1 1997. On that date, China will have a stock market run on western lines and backed up by western regulation and Hong Kong's version of British common law, ensuring property rights. But most important for mainland companies is the Hong Kong dollar's fixed rate against the US dollar. This means that Chinese companies raising funds in Hong Kong will effectively be raising fully convertible, dollar-backed,

Already Hong Kong has become a significant capital market for mainland companies and Hong Kong companies expanding in China. Warburg estimates that of the HK\$73.5bn of gross equity (equity before dividends are subtracted) raised in Hong Kong last year, the amount raised for Chinese companies

and China-related husiness ventures was nearly HK\$20bn.
This year Warburg forecasts
that capital raised for China
and Chine related ventures
will be about HK\$35bn.

will be about HK\$35hb.

Mr Ewan Cameron Watt, head of Far East research at Warburg Securities, expects that a second wave of Chinese state companies and western Chinese joint ventures will follow the nine forthcoming listings and will bring structural ings and will bring structural change to the Hong Kong market. His views are echoed by Mr Andrew Bell, head of corporate finance at South China, a local brokerage, who estimates that up to 50 mainland companies could be lining up to seek a Hong Kong listing once the first nine have been digested. "If the listing of nine suc-ceeds - and with reputations

and careers in China riding on their success, I think they will - then the gates will be open, he savs Fund managers agree. Mr

Lloyd George believes that, by the end of the decade, Chinarelated listings in the Hong Kong market will account for 45 per cent of its capitalisation which he estimates will have grown to US\$900bn from US\$175bn in 1992.

Foreign investors have been swayed by such predictions. Since last March, more than US\$1.5bn has been put into China investment funds. This compares with the US\$920m for the combined market capitalisation of both the Shanghai and Shenzhen "B" share market tha only way, other than through Hong Kong, that international investors can own tradeable equity lo mainland

Chinese companies.
But not all fund managers are convinced of the wisdom of investing in mainland companies listing in Hong Kong. Mr Oscar Wong, who manages GT Management's US\$30m China fund, for example, is sceptical about the prospects.

"On average I don't think they are very good companies and they will give foreign investors a bad impression of what is happening in China," he says. "They are not efficiently managed and it will take a long time to reorganise

But the Beijing government is determined to succeed in its plans to bring state enterprises to the capital markets of the neighbouring colony. For Hong Kong, success in this strategy will underwrite its own future. As Mr Archie Hart, head of research at Crosby Securities, notes: "If Hong Kong has a future role it is as the financial

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Right way out of a fiscal hole

From M C Kennedy.

Sir, Fiscal hola or fiscal panic? In your editorial ("Filling the fiscal hole", February 9) you join forces with the OECD and Instituta of Fiscal Studies in calling for a tax increase to reduce the public sector borrowing requirement. The reasons you give are, first, that the government's anti-inflationary promise needs a tax increase if it is to be believed, and, second, that a tax increase is required to prevent a spiralling rise in the ratio of national

debt to income. On the first of these arguments you must be right, since almost any fall in demand in the economy is likely to reduce inflation Inflation, however, is hardly a pressing problem at the moment, whereas mass unemployment and the coilarge of companies - which yon do not even mention most certainly are.
On the problem of the spiral

ling national debt, may I suggest that it should not, and would not, arise if the Trea sury knew how to manage its finances. It is absurd, in a recession, that it should be thought necessary to add to the interest-bearing national debt in order to find the funds for public expenditure. There is no reason in principle why the Treasury should not bor-row directly, and free of inter-est payments, from the Bank of England. In practice, the Bank and Treasury have put their own obstacles in the way of such a simule act of credit cre ation. But this means that it is the authorities' own act of self denial, not the PSBR, which must be held responsible for adding to the interest-bearing debt — and also for the taxes needed to pay the interest. To be blunt, it is Treasury folklore which threatens to raise the tax hurden, and taxpayers should object. Naturally, one would not

advocate direct credit creation when the economy is fully stretched - as, for example, in wartime. But in times like the present it is the clearest way out of what you call the "fiscal

M C Kennedy, and social studies,

UK's electricity structure not incompatible with efficiency

Sir, Your editorial on the electricity generating duopoly ("Duopoly power", Fehruary 15) asserts that "there is already evidence that the duopoly does not work to custom-ers' advantage". You also say that, were there to be a reference to the Monopolies and Mergers Commission, the MMC could recommend a break up into smaller units. I suggest the industry structure is quite compatible with efficiency.

Although privatisation was not ideally carried out, the UK will soon have some of the world's most efficient coal power stations, together with environmentally friendly gas power. Economic theory moved away some time ago from a simple association between industry structure and efficiency and any argument based purely on the duopoly claim needs to be justified.

There are two theoretical benefits from break up: lower average production costs and more competitive pricing of the output. On the first point, it is scarcely credible that production costs would be lower with five or six companies - on the contrary there are probably some economies of scale. Both generating companies are now heading for a halved workforce with substantial reductions in other operating costs.

On the second point, the regulator has accepted that pool prices remain below avoid costs. The pool will be a highly imperfect spot market for some time to come, but there is no evidence that the generating companies are exploiting their power, for the simple reason that they would gain very little from it, but would immediately fall foul of the regulator. Both are now careful to avoid any behaviour that could be con-

This largely removes any danger to the public interest Break up would therefore probably raise the overhead cost of electricity and reduce the generation industry's purchasing economies in fuel and transport, for little or no benefit in the pool. It would also rob the UK of the opportunity to take a large position in the emerging foreign generation market, where the two companics should be able to produce substantial profits and export earnings in future.

Over the next five years, the electricity regulator will be able to point to lower prices for most customers, better service and a choice of supply. This is not a bad outcome for an imperfect privatisation. Simon Taylor, fellow in econe St Catherine's College Combridge CB2 1RL

The servant of parliament

From Mr William Reid. Sir, Your report, "Watchdog to probe complaints against taxman" (February 19) contains one error which needs to be corrected. You said: "The Revenue received 15,000 complaints last year, of which 100 were referred to the government's ombudsman. Yesterday it said it expected the adjudicator to handle 20 to 50 complaints a month." . I am certainly not the gov-

parliament and the results of my investigations were rightly Mande, when financial secretary to the treasury, as not London SWIP 3BW

always comfortable to the government. The new Revenue adjudica tor will, I hope, be able to sort out many complaints between taxpayers and the Revenue. but ha is to be appointed by the board of Inland Revenue. While this latest initiative is welcome, it will still be open to dissatisfied taxpayers to ask members of parliament to refer their grievances to the parlia-

mentary ombudsman. parliamentary commission Church House, Great Smith Street

Salvation Army not so silent

From John Larsson Britain and US", February 20) gives a misleading impression in saying that the Salvation Army has 'remained stlent' over developments in its attempts to recover \$8.8m missing in an alleged fraud.

The Army's intention to be open about the matter was reflected by the fact that it issued a statement on February 16, which was widely reported in the media.

It issued writs against 15 these writz have been widely

The Army now has to ball ance the public's right to know the facts with the need to recover the missing money. Its lawyers have advise go beyond the statement already made, could jeopardise John Larsson, der. UK territory.

The Salvation Army

Closures part of a pattern

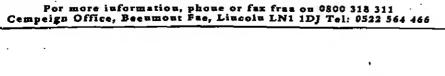
From Dr Peter Droper. Sir, Your aditorial on the proposed changes to the NHS in London ("Health care in London", February 17) presents the controversial hospital plans as "rationalisation". This was certainly one feature but severe cuts were also part of the package - 2,500 acute bed closures despite 132,000 Londoners on waiting lists. For similar closures, the King's Fund estimated the annual

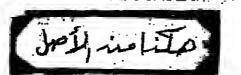
savings at £200m. When it is realised that closure of several thousand other acute hospital beds throughout Britain is currently planned, (for instance, 1,000 in Edin-burgh and in Glasgow, 500-1.000 in Liverpool), the London proposals are seen as part of a pattern.

That pattern will delight a far-sighted Treasury, inflate waiting lists and further fuel commercial medicine. It would be most useful if the

FT were to publish a national survey of these planned closures and the estimated financial savings.

public health consultant, 12 Eastwood Road, Musipell Hill, London N10 1NL





Financing the deficit

THE BRITISH government will horrow soma £38bn (6½ per cent of gross domestic product) in the current financial year and, argues the Institute of Fiscal Studies, another £54bn in 1993-94. That is just the beginning. Under plausible assumptions, the government will be borrowing £1,000 for every man, woman and child in the country every year for many years to come. But even such a borrower enjoys some choices.

They are not unlimited. Wherever the government borrows and however it borrows, it faces highly positive real rates of interest. The only escape from the trap would he borrowing in conventional long-term gilts, followed by a burst of inflation. This was what happened after the second world war. It must not happen again.

Even so, the government can -and should - try to minimise the real interest rates it faces. Mr Lamont's target for inflation is I-4 per cent. Judged hy the spread between index-linked and 15-year conventional gilts, now 4.6 percentage points, the non-taxpaying investors who purchase most of these securities are not convinced by Mr Lamont. The government should put its money where its mouth is, by borrowing in indexlinked gilts. It could also borrow short term at 6 per cent, rather than long at over 8 per cent.

That is not how things have been in 1992-93. The government's borrowings this year include nothing shorter than a year, £5bn in conventional gilts of I-5 years maturity, £22bn in conventional gilts of over five years maturity, a mere £3% bn in index-linked gilts and £4bn via National Savings. Government funding also includes some £8%bn in net foreign exchange Intervention.

The Bank of England argues that the funding pattern is determined by what investors want. But is it not rather a question of price? Maybe the government regards index-linked gilts as an expensive way to fund, because it does not believe in its own targets ernment may not believe sbort leaders on the March Budget.

rates of interest are a bargain for borrowers - bouse huyers, please note - because it expects them to shoot up once more. As for turn-ing borrowed D-Marks into sterling, this might be rather profitable now, though it was certainly not before September 17.

The government needs also to reconsider from whom it horrows. The full-fund rule, which requires it to sell securities to the non-bank private sector equal to the public sector horrowing requirement, was designed in the mid-1980s to ensure that government borrowing (or repayment) would have no effect on broad money.

That never mada sense when the government had ceased to believe hroad money was important. It makes even less sense now that the chancellor has a monitoring range for M4 of 4-8 per cent. Since its growth has been well below the bottom of that range, why not monetise some of the PSBR, ask the monetarists? Others hold out the hope of lower yields on gilts, reduced pressure on institutional cash flow and a supply of higher quality assets for battered banks.

The case seems strong, but the government cannot just end the full-fund rule. It has to replace it with another one; an M4 target, for example, or perhaps a longer period over which full-funding would apply. Otherwise, the beneficial effects of underfunding on gilt prices could be more than offset by the effects of higher expected inflation on interest rates.

Expected inflation, not the mechanics of funding, is the fundamental issue. Provided the government is thought to be committed to low inflation, it should be able to finance the PSBR at manageable cost. The danger is the fear that, as debt mounts, so too will the temptation towards another inflationary default. Funding policy can aid credibility. But a government, like any other borrower, can borrow cheaply and effectively only if it demonstrates

that its appetite has limits. This is the fifth in n ser

Meanwhile, the UN Security

Wednesday, the 14 directors of Imperial Chemical Industries assemble for the most important board meeting in the company's 67-year history. The topic on the agenda is simple but momentous: whether the most distinguished survivor of Britain's industrial past should split itself in two.

As they taka their seats in the wood-panelled boardroom overlooking the River Thames, the directors can be in little doubt about the ontcome. In tha seven months since the plan was made public, the world recession has got steadily deeper and the trading outlook grimmer. But however unlucky the timing, ICI has invested too much effort and credit in the venture to pull

The Idea is that ICI should be carved into two separate companies: Zeneca, which will comprise phar-maceuticals and other high-tech products, and a new ICI, made up of hulk commodity chemicals.

The plan has the formidable back-

ing of ICI's chairman, Sir Danys Henderson, and the equally redonbtable Mr Ronnie Hampel, chief operating officer. It also involves raising about £1hn of new money from the stock market. It is, according to one of the non-executive directors, "99 per cent certain" to go through.

Both the new companies face a rough ride; rougher, indeed, than could have been foreseen when the plan was revealed last July. The European bulk chemical market is in worse shape, according to some industry executives, than at any time since the second world war. The plan envisages floating the new ICI with a much reduced hurden of debt. Even so, at least one board member has expressed doubts on whether it would make enough profit in its first year of operation to maintain its share of the dividend.

Zeneca's problem is slightly different. Its industry is largely recession-proof. But like all international drug companies, it depends heavily on the US market. The US patent of its biggest product, the heart drug Tenormin, expired last year. US sales have since halved. Zeneca has no big product to take its place, at least for the next two or three

It is central to the demerger plan that Zeneca should raise about £Ibn through a rights issue. This raises another problem. The newly-elected Clinton administration has asserted its determination to slash healthcare costs. The share prices of US and UK drug companies have tumbled as a result.

Shares in Glazo, the biggest UK drug company, have fallen by 17 per cent since the turn of the year. Yet ness is hy general consent not big

How open is the British economy to

international com-

petition? What pro-

portion of British

production bas to

keep abreast of for-

eign competition;

and what proportion

is more insulated?

These are extremely important

questions in relation to the value of

an anchor such as the exchange

rate mechanism in lowering and

then stabilising inflation. They are

equally important outside the Euro-

pean exchange rate mechanism, if we are to gauge the ultimate infla-tionary potential of sterling's 16 per

cent effective devaluation since

Black Wednesday last September

and the impact of future exchange

It is scarcely credible that during

more than a decade of ferocious

debate about the pros and cons of

ERM membership, hardly anyone on either side bothered to make any

estimates of how open the British

economy really is - which would

rate changes.

Breaking up is hard to do

Imperial Chemical Industries will this week decide whether it should split itself into two companies. Tony Jackson and Paul Abrahams examine the implications

Glaxo has just reported a 16 per cent rise in profits. Zeneca'a profits for 1992 are widely expected to

Pharmaceuticals aside, the rest of Zeneca's portfolio - consisting of agrochemicals and speciality chemicals - is not in very good shape either. The threat to European Community and US farmers posed by the GATT round and the reduction of farm subsidies is also a threat to the agrochemical industry. In the UK, Germany and France the market fell on average by some 6 per cent last year. This year it may well As for the speciality chemicals

division, it made a mere £35m of profits in 1991 on sales of £1.2bm. Profits this year are expected to be lower. As a drug company, Zeneca is not among the industry's most attractive. As a hybrid, it is less attractive again.
Given all the drawbacks, ICI's

apparent determination to press ahead might seem perverse. The counter-argument is that all these difficulties are essentially tampo-rary. The plan is designed for the longest possible term. Nothing has changed in its underlying

The chief argument for demerger, as expressed by Sir Denys and Mr Hampel last July, is that it allows both parts of the business to concentrate on what they do best. Some

ICI has invested too much effort and credit in the demerger venture to pull out

ICI directors argue that the business as it stands is too complex and far-reaching to be understood by any one person. In practical terms, there is no connection between the breeding of pest-resistant crops at one extreme and the operation of giant petrochemical complexes at

have been far more valuable than

To make such estimates, it is not

enough to look at exports or

imports as a proportion of gross

domestic product. For just as impor-

tant are the prodocts which are

made at home but for which imports could easily be substituted.

An article by Chris Mellis in the

February Bank of England Bulletin*

takes the bull by the horns - or

nearly so. Nearly so, because the author has for statistical conve-

nience used the weights in the

Retail Prices Index as a basis, even

though they are based on consump-

tion rather than production.

The author starts out by dividing

the RPI into goods and services

(omitting, of course, mortgage inter-

est payments), as goods are more exposed to trade than services. For

one measure of "tradables" be

excludes seasonal foodstuffs and

taxes on drink and tobacco. For

another measure be excludes all

food, drink and tobacco. The two

variants maka quite a lot of differ-

ence. In the first case, the propor-

the actual debates.

In addition, Zeneca's drug busi-



enough to stand alons in world terms. Freed from entanglement with the rest of ICI, it could start to plan mergers or joint ventures of a kind which have become commonplace in the world drug industry in recent years.

This is one reason for the planned 51bu rights issue. The other is that Zeneca can then afford to take on most of the debt of the old ICI, leaving new ICI to face the more volatile world of commodity chemicals with a clean balance sheet.

There is another important motive for pressing on, in the months since the plan was announced, the demerger has already gone ahead internally. This has involved considerable upheaval, and is a source of occasional complaint among ICI's middle managers. Indeed, it is suggested by com-petitors that ICI has sometimes been too preoccupied with internal change to address itself fully to its markets.

Paced with those arguments, the board can scarcely shelve the whole

Samuel Brittan

The UK's half-exposed economy

that any rights issue would be held by Zeneca, or ICI Bio as it was then known.

But the attraction lies in the fact that while drug stocks are out of fashion on the stock market, shares in supposedly cyclical companies such as ICI are decidedly in vogue. Hence the curious fact that at Friday's closing price of £11.18 per share, ICI's shares stand at a multiple of some 22 times last year's

could announce a rights issue not

for Zeneca but for ICI in its present

form. They could then demcree at

The last option is not as fanciful

as It sounds. It would certainly

involve a public change of tack: in

its statement of July 1. 1CI specified

n today's market. Zeneca could only expect an earnings multiple of little more than half that. And the higher the multiple, the more cash can be raised for a given number of shares. The original logic, that money raised through the drug side could be obtained more cheaply, has thus been stood on its head.

It is also becoming apparent that something more novel than an old-fashioned rights issue is on the cards. ICl has made plain to its advisers that the London institutions must be offered first refusal of the new shares in the traditional way, if only because of their support against the predatory manocuvres of Lord Hanson a couple of years ago. It is also adamant that the issue

must be conventionally underwritten in London, so that receipt of the £1hn is guaranteed in advance. But it also wants to tap the resources of new shareholders, particularly in

How these conflicting goals are to be reconciled is not yet clear. But to an extent, these minutiae can be left to Warburg and ICI's other financial advisers. The central decision to be weighed by the directors is of quite a different order: whether to call a halt to ICI's remarkable history and culture, and start

They might perhaps take courage from a historical analogy. The for-mation of ICI in 1926 was Britain's response to the merger of the German chemical industry into one gigantic conglomerate, IG Farben. At the end of the second world war, IG Farben was broken up by the victorious allies into its original constituents: Hoechst, Bayer and

All three went oo to become world-class chemical companies, at least as big as ICI itself. If ICI could perform the same trick by splitting itself in two, it would be a satisfying act of bistorical

After FYROM

THE MOST absurd, but not least dangerous, of Balkan squabbles is within reach of solntion. Mr Constantine Mitsotakis, the Greek prime minister, has retreated from the untenable position on recognition of the former Yugoslav republic of Macedonia ("FYROM"), which he imposed on the EC.

At last June's Lisbon summit the EC, fearing that Greece would refuse to ratify the Maastricht treaty, agreed to recognise the republic under any name not including the term "Macedonia". The Greeks argue that this name belongs exclusively to their own northern province, and that its use by anyone else implies the revival of a scheme, current ear-lier in the century, to create a larger Macedonian state including that province as well as part of Bulgaria. The leaders of the new state repeatedly abjured any such ambition, and amended their constitution so as explicitly to exclude it, but to no avail.

Greek public opinion has become so inflamed that it must have taken courage for Mr Mitsotakis to announce, earlier this month, that be is now willing to accept a UN-sponsored arhitration process, leading to a name which could include the word Macedonia, with a suitable epithet to distinguish it from the Greek province. His retreat reflects awareness that international support for Greece's position, never wholehearted, is

MR MICHEL ROCARD has long been one of the leading contenders to succeed President François Mitterrand as the standard-bearer of the French Socialist party. At various times he has seemed to have at least an evens chance of defeating the most plausible conservative rivals in that election. So his call last week for the creation of a new hroad-based liberal-left political movement, to encompass socialists, ecologists and others, is doubly striking since it comes on the very eve of next month's gen-

eral elections. The most immediate explanation, is that the socialist vote appears to be facing a collapse of catastrophic proportions next month. From a peak of more than 35 per cent in the late-I970s and early-1980s, the socialist score looks set to fall to about 20 per cent; whereas the conservatives may take 40 per cent of the vote. ment. It is even conceivable that the socialists may be overtaken by the ecologists.

Council is considering the republic's application for UN membership. The three EC members currently serving on it - Britain, France and Spain - have come up with an ingenious formula: the Council would admit the republic while noting that its name is still in dispute, recommend that this dispute be settled by arbitration, and decide that It will be referred to as FYROM in the meantime.

ment if be agrees to compromise. He should be encouraged to stand up to them: Macedonia has sufto a moral victory. His governbetween its Slav majority and Albanian minority, Greece should and adopt the minuscule landlocked republic as a little sister.

it. Balkan governments which do not feel strong enough to face

Rocard's move

swing is due to temporary factors, and how much is structural. Undoubtedly, there is a large element of popular protest at the cor-ruption in the Socialist party, coupled with Indignation at the contaminated blood scandal. No doubt there is also disillusionment that the socialists have offered no remedy for rising unemployment. The unknown question, is how far the fall of the Berlin Wall bas stripped the socialist label of political credibility. But if the projected voting fig-ures should, even in part, repre-

with a huge majority in parlia-

The dilemma for the socialist leaders is that they cannot be sure implemented in tin how much of the likely voting month's elections.

Neither side bas yet accepted this. The Greeks know that in practice the state would be called Macedonia (as it already is), while Mr Kiro Gligorey, the Macedonian president, fears excoriation by hardline nationalists in his parlia-

fered enough from isolation, and the compromise amounts in fact ment should now concentrate on a domestic problem which is much more serious: the tense relations take a leaf out of Bulgaria's book Even if one or both sides refuse to accept the compromise, ths

Security Council should still adopt down nationalist passions may yet from the world's top anthority.

sent a structural realignment of

political sentiment in France, the

socialists might never be able to

recover power on their own, and

they would ohvlously have an

Calling in Bechtel man

Life at the top of the construction industry is just as insecure as at the bottom judging from the abrupt leparture of ex-French Kier chief Richard Allen as boss of one of the world's higgest civil engineering projects - building Hong Kong's

£16bn airport.

It is not the first time that 50-year-old Allen has been out of work. He parted company with Beazer in 1989, two years after it had taken over French Kier. However, his departure this time was as swift as it was unexpected.

No one doubted his commitment to the airport. In two years he had built up Hong Kong's Provisional Airport Authority from nothing to an organisation employing 200 people. He was a single minded and determined manager, but one who had more than a touch of the "one man band" syndrome for his board's liking. A sign that all was not well came

incentive to seek electoral allies. Even so, Mr Rocard's move is a when more than 20 of the world's leading consulting engineers refused to tender for certain aspects high-risk strategy, both in itself and in its timing. The Socialist party leaders and the grass roots of the new airport's design. In the federations will not support Mr Rocard's suggestion if they think words of their association they said they found the risks they would it means the dissolution of the have to accept if successful to be party. In any case, it is hard to see "onerous" and the work "so ill-defined and uncertain that it how such a radical strategy can be implemented in time to affect next was impossible for the jobs to be priced with any degree of realism.
It's up to Allen's replacement.

Hank Townsend, a 60-year-old Bechtel man, to make the PAA more user-friendly. He says his door is open to anyone and his management style will be "team based". As for Allen, he left his job as he had occupied it: tight lipped and declining all comment to the media.

Safety first

■ Britain's driving test should be expanded to include a written exam, two hours of motorway driving and two hours of night-time driving. The suggestions in the annual report of soon to be floated BSM. owner of Britain's biggest driving school, might sound a mite more convincing if the company making them didn't stand to gain so much,

Port in a storm

Presumably, the British Government was too occupied with explaining away last week's terrible unemployment figures to notice that one of its oldest lame ducks - the Mersey Docks and Harbour Company - has made a startling recovery and is beginning to behave

like a glamour stock.
Its profits and dividend rose by a quarter last year and cargo volumes were up by 12 per cent. With results like these, it's hard to imagine there's a recession on and even harder to imagine that this company spent almost two

between the two. Food and drink are obviously subject to international competition, but perhaps less so than other goods after taking into account the very large element of transport and distribution services in their retail price. As a rough approximation, one might say that the openness of the British

			_
	Tradables	Non- tradebles	Total
1984-82	12.5 4.5	15.6 S.1	13.4 S.0
Source: Res	k of England		

economy is a little over 50 per cent. The first finding to emerge from the Bank of England analysis is that the tradable sections of the RPI increased less rapidly than the rest of the index - in fact, about 2 percentage points less since 1983. This is hardly surprising in view of the lower rate of productivity improve-

tion of tradables is 67 per cent; in ment in the services which make up the second, it is only 40 per cent. the bulk of non-tradables. The differences are in the same direction in other European coun-The truth must lie somewhere tries although they seem a little

that the plan was misconceived at

the outset. It would also make it

imposaible to implement in

anything like the same form in

On the other hand, as the direc-

tors debate the arguments round

The plan has the

formidable backing

of the company's

chairman, Sir Denys

Henderson

the boardroom table on Wednesday.

they will doubtless reflect that their

choice need not be quite so clear

They could postpone the demer-

ger on the grounds of recession.

They could press on with the

demerger, but postpone the rights

issue until the market for drug

stocks has recovered. More dar-

ingly, City analysts suggest, they

smaller. Even Germany was not able to secure an annual rate of price increase for tradables averaging less than 2 per cent in the best period of the 1980s. Of course, few sectors of a relatively open economy can be insulated for ever from international infinence. If wages are held down in the tradable sector, labour will tend

to move to the more sheltered areas, thus holding down labour costs and thus prices there, too. It is reassuring, therefore that sophisticated statistical tests showed some transmission of inflation rates from the traded sector to the rest of the economy. If the UK could achieve something similar to German performance consistently and not just in recession years, the overall rate of inflation would fluctuate at about a rate of 3 per cent or 4 per cent. Not surprisingly, the gap between UK tradable and non-tradable price

years when the real exchange rate has been at a peak, thus limiting the ability of producers in the open sector to pass on cost increases.

in 1992, the UK divergence was about 3 percentage to 4 percentage points. The downward pressures were specially noticeable in clotbing, footware, leisure and household goods. The Bank author believes these exceptional developments may have been connected with membership of the ERM, as this could have influenced expectations in the tradable sector. It is also possible, however, that tradables simply reacted more strongly to recessionary forces.

In any case, I do not see how anyone looking at the charts and tables in the Bulletin can regard the exchange rate as just a price like that of tomatoes instead of the main link between inflation rates in Britain and those overseas.

*Tradable and non-tradable prices in the UK and the European Commu-

OBSERVER



decades in the Government's intensive care unit. Today, its shares are selling on 18 times fully taxed earnings and are trading at a premium to the market. It is even talking of buying a rival port on

Lady in waiting ■ Understandably the Venezuelans are more interested than most foreigners in the plan to rescue Britain's coal industry. After all one idea is to curb imports of

Venezuela's cheap hut dirty

power stations.

orimulsion for use in Britain's

But someone ought to have a quiet word with Senor Ignacio Arcaya, Venezuela's new man in London. His plan to invite the powerful commons trade and industry select committee for a cosy little lunch at the crusty old Garrick Club next month, could cause a diplomatic incident. The invitation to the boys-only Garrick coincides with the appointment of the committee's first female member - Ann Coffey, the new

Without tears Kingfisher and Darty, who last

week agreed terms of their marriage, still bave a lot to work out between them. But Darty'a finance director Gérard Basini is clear about one thing. If Darty applies UK accounting principles to its figures its profits look higher than under French rules. So while Darty's numbers will be prepared on a UK basis for Kingfisher's benefit, he says, "we will use French rules for the taxman"

Undercover Delors England must feel increasingly

like enemy territory to the president of the European Commission. On a brief visit to Oxford on Saturday Jacques Delors had to be smuggled in and out of the university to avoid demonstrators from the "Campaign for an Independent Britain". Admittedly there were only a dozen agitators, but that was a dozen more than there were EC star-spangled blue banner wavars The purpose of Delors's secret mission was to attend a small seminar on "relations between science, ethics and society" - one of a series of EC-inspired powwows in ancient university towns. Others have included "law and democracy in Poznan and "the EC and the South" in Salamanca. Delors likes to look in on these seminars, and plans to round them off with a grand conference early next year.

Over – monitored ■ Meanwhile, some good news on

the EC job-creation front. The Commission has decided to monitor the EC Monitor programme which monitors EC research expenditures. in other words the community's research boffins are being asked to monitor how well Monitor is monitoring them. It's a true community-wide initiative. The questionnaire comes from Brussels, replies go to Spain, and the Danisb ministry of industry is providing the chairman of the review panel

Tonto tune

■ Definition of an intellectual: someone who can listen to Rossini's thinking of the Lone Ranger.

FINANCIAL TIMES

Monday February 22 1993

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Ukraine starts state sell-offs

Chrystia Freeland meets a new breed of entrepreneurs at auction

IRYNA IASMYSKA is one of Ukraine's new entrepreneurs. Iryna, 30, now owns the general store she used to run, along with six of her co-workers. They bought it at the weekend in the first of Ukraine's privatisation

In all, 17 small restaurants, shops and husinesses were sold at the auction io the western Ukrainian city of Lvov. The sale could presage rapid privatisation of the rest of the economy, 94 per ceot of which is still owned hy the state.

Another huyer is Oleb Horba-tiuk, a bulky, 42-year-old huslnessman. He bought a grocery shop for 28m coupons, and a tex-tiles factory for 20m coupons. Mr Horbatiuk once served time in a Siberian jail for illegally trading

in hard currency.
"I came out of jail and I became
a capitalist," Mr Horbatiuk cheerfully explained.

He plans to sell the "best sau-sages io the world" from his meat processing plant and build his clothing exports business.

Nine of the 17 enterprises sold in Lvov went to workers who used their 30 per cent discount off the hld price and the right to make a 30 per cent downpayme ot and pay the rest over the next

Opening the auction, Mr Volodymyr Pylypchuk, chairman of the Ukrainian parliamentary commission on economic reform, announced: "With the bang of this hammer, f declare the beginning of mass privatisation in Ukraine."

Iryna and her colleagues hid 48m coupons (the equivalent of about \$18,750 for the store, although they will get their 30 per cent discount. They bad boped to buy the store more cheaply, but bldding was fierce enough to raise 794m coupons in all, more than 100 times the book value of the businesses on sale.

"Because of an auction, we had to pay 48m coupons (up from a book value of 150,000 coupons),' said Iryna. "Until we pay off this debt, I think I will earn less as



Under the hammer: Olga Svetlitskaya, flanked by her two partners, bids 90m coupons for a jeweller's workshop at an auction in Lvov on Saturday as Ukraine's first small-scale privatisation is launched

an owner than I did as a state

But Iryna, who won a bottle of champagne as the first successful bidder, believes the store is a going concern. I have a very hig task before me, but I know I will succeed. There is such a great sbortage of everything in our country that I am confident we will be able to sell everything that we offer our customers."

Lvov municipal officials said they hoped this weekend's auction would become a twicemonthly or even weekly event in their city, which has 4,000 businesses available for privatisation.

The sale, run with the belp of

the World Bank,is the strongest indicator yet that the government of prime minister Leonid Kuchma is committed to market

Miss Roberta Feldman, IFC task manager for the Lvov project, said: "Now that the auction has happened, Mr Kuchma has asked us to do a series of semi-nars on privatisation for all the local governments in Ukraine."
Mr Vadym Vasyliev, deputy

head of the State Property Fund, responsible for privatisation, said he boped for similar auctions in all of Ukraine's regional ceotres by the end of March.

Several large-scale projects are the International Finance Corpo-ration, the privatisation arm of transformation of an association

of 10 meat processing plants in Odessa into an open joint stock company under the IFC's auspices, and the privatisation of state river shipping company, Ukrichflot, with advice from the European Bank for Reconstruction and Development

But there are still obstacles; many husinesses are heing run under lease between workers and the government. Kiev is trying to break leasing agreements, but workers leasing companies are resisting full privatisation.

There is also opposition from government bureaucrats, who ear erosion of their power, and many workers' collectives are worried about losing jobs under

THE LEX COLUMN

ICI's splitting headache

Having christened Its pharmaceuticals side and reformed its management structure, ICI is just one small step from the giant leap of demerger. The performance of its shares since the scheme was batched last summer suggests some scepticism of the practical benefits of separation. Even allowing ICI the benefit of the doubt on that score, there is a danger its enthusiasm will cloud its judgment on timing. In the absence of a remarkable turn-

around in the final quarter, ICI can scarcely afford to pay a maintained dividend for 1992. Cutting the £400m pay-out would be easier to present as part of a demerger package. But distributing a reduced dividend between the two sides of the business will not he easy. Chemicals harely nosed into profit in the third quarter. A cyclical chemicals husiness might be forgive for paying an uncovered dividend at this stage in the cycle, but over-capacity and a lcoming European recession make it far from clear when this side of the business will be in a positioo to pay its way. One way of assuaging such fears would be for ICI to endow the chemicals balance sheet with cash, or ask the pharmaceuticals side to bear a greater share of the dividend. That can only he at the

expense of Zeneca's rating.

The plan to raise £lhn cash for the group as a whole oo a fancy drugs-company multiple aiready looks dated. Glaxo now stands on a yield and price-earnings multiple close to the market average. Since Zeneca is suf-fering from the patent expiry of its olggest-selling drug - and has a less promising research pipeline - it might be expected to trade somewhat lower. By pricing its rights at a heavy discount, Zeneca could doubtless attract underwriters to the issue. But the arithmetic suggests that a cash call from a unified ICI would make more sense. By delaying demerger until the prospects for both sides of its busioess are clear, ICI would leave itself open to accusations of dithering. But fear of being seen as indecisive is never a good reason for action.

Advertising

The brace of rights issues sprung upon the market by two advertising agencies last week may bave con-vinced investors that life is returning to that most unfashionable of sectors. A glance at the agencies' share prices niorces the conclusion. Abbott recent weeks. Eveo WPP's and Saatchi coal a year by not running stocks

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& Saatchi's shares, which have long lingered in the world of the living dead, have shown signs of resurrection. They have outperformed the market by 39 per cent and 27 per cent respectively over the past three months.

Starter FT Graditie

However, the sector's revival is based more on hope than expectation. in theory advertising should be one of the first beoeficiaries of an economic upturn. So far at least, its practitio-ners have seen scant signs of it.

On closer inspection, last week's rights issues confirm this more cautious view. Both companies want the money to position themselves for recovery rather than meet specific expansion needs. Gold Greeolees Trott's £15m cash call was designed to fund as yet unspecified acquisitions. Lopex's £3.5m rights issue is being used to bolster its depleted balance sheet. This should eventually help it chase new business, with clients as much concerned with an agency's financial stability as its creative credentials. Advertising's operational gearing will show through in time. investors, though, are being somewhat premature.

UK coal

Leaks and threats of legislation are doubtless the stock in trade of Whitehall negotiations. Still, a large gap clearly remains between the amount of coal the electricity generators want to take and what the government is trying to unload. The basic deal, which gives British Coal a contract for 40m tonnes this year, has been agreed; It will give a significant boost to the generators' earnings. National Power and PowerGen are willi Mead Vickers has had a strong run in additional 8m tonnes of subsidised any others in that the most reliable

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down rapidly and by displacing imported coal. That total might be increased somewhat hut it is still well short of the 13m tonnes which Mr Heseltine thinks he needs to head off a government defeat. The difficulty arises because the government is uowilling to curb gas or nuclear nat-put, or to sever its electrical French connection. At the same time the generators are reluctant to stockpile coal which might be in their yards for 10 years, even if the government were to cover the carrying cost.

By running the generators shares up to all time highs the market is betting that a deal will be stitched up behind the scenes. Yet if the government cannot ease a little extra room for coal in the electricity market it faces a choice between trying to seil parliament a smaller coal industry and an increas-ingly public squabble with National Power and PowerGen. As the government still wants to sell its 40 per cent stakes in both companies, it has an obvious incentive to find an acceptable solution before the market's insouciance fades.

Nordic insurance

The eternal triangle of Nordic insur-ers - Hafnia, Skandia and Uni Store-hrand - may become something of a magnet for overseas capital. Bidding for Denmark's Hafnia closed on Friday, with the likes of AGF of France and Denmark's Codan, controlled by Sun Alliance, still in the hunt. Uni Storehrand's administrators must soon come forward with a plan to recapitalise that business. Most of the fuoding is likely to come from Norwegian institutions. But any auction of its 28 per cent stake in Skandia should attract an international crowd.

Skandia Itself has so far been happy to shriok its business in line with its capital base. So its solvency ratio remains adequate despite the 20 per cent decline lo net asset value announced last week. If Swedish property values continue to fall, though fresh capital may be required. With more than 40 per cent of its shares in the bands of Hafnia and Uni Storebrand's administrators, a rights issue looks difficult. An overseas partnership which might take over these stakes must be an attractive option.

But a flow of foreign capital to the region could slow the return to profitability by raising capacity too quickly. source of capital is retained profits.

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3

French **Socialists** back idea of left alliance

By Alice Rawsthorn in Paris

AN overwhelming majority of Freech Socialists and ecologists support the proposals of Mr Michel Rocard, former French prime minister and a future presidential candidate, for a "political big bang" to create a new centreleft alliance after next mooth's elections, according to the latest

The BVA poll, published in yesterday's Journal du Dimanche newspaper, suggests that 73 per cent of Socialist sympathisers and 62 per cent of ecologists back Mr Rocard's idea of abandooing the Socialist party in favour of a coalition of socialists, environmentalists and humao rights activists. It also indicates a high level of support among the public. with 45 per cent approving of his plan and 40 per cent against.

Mr Rocard's plea for a "hig bang" has caused turmoil among the Socialists, who, after a decade in power, are heading for humiliating defeat by the conservatives in next month's parliamentary elections, and moy be robbed of

second place by the ecologists.

President François Mitterrand has tried to brush aside the Rocard proposals hy stressing that the left's first priority should be to strengthen the existing Socialist party. But the president's own standing is under attack. More than half of French viewers (54 per cent) were unimpressed by his television appearances last week, when he answered questions from the public on two successive nights, according to an IFOP poll in yesterday's Journal

du Dimanche. Similarly, his approval rating in vesterday's poll stood at a dispiriting 26 per cent, the same as last month, while that of Mr Pierre Bérégovoy, prime minister, slipped to 31 per cent, from 32 per cent lo January.

Opel chief warns of five-year gap before output is restored

By Christopher Parkes In Seville

GERMAN carmakers face at least five bleak, uocertain years, according to Mr David Herman, new chairman of Adam Opel, the General Motors subsidiary.

Consumer confidence was io free fall, he sald at the weekend. Business confidence was near postwar lows, with the recent plunge in morale the steepest in almost 50 years. It would be more than five years before Opel's out-put returned to the levels of the recent past.

Mr Herman's grim forecasts followed news that German car pro-duction tumbled 27 per ceot in January, while output of commercial vehicles was 57 per ceot

lower than a year earlier.

Meanwhile, Volkswagen, the country's leading volume carmaker, confirmed that It was coosidering extending short-time

working into the secood quarter of this year. Opel, ranked secood behind VW, has drastically downgraded its expectations. A fresh analysis

The current recessioo was unusual; a "normal" slump lasted one or two years and was followed by a reasonably sbarp upturn. This time he could see no possibility of such a recovery. Apart from recession the indus-try bad to make allowances for the effects of Bonn's plans to increase oil taxes and levy tolls

on motorway users.

"Eveo oow drivers pay twice as much on vehicle and fuel taxes as is paid out for road construction and maintenance," he

Motor manufacturing was Germany's single most important industry; it was time to consider the effects of higher levies on investment and employment.

Mr Herman, speaking at the launch in Seville, Spain, of the company's new Corsa compact car (sold as the Nova in Britain), said production of the new model would rise from 90,000 this year to 100,000 in 1994. Annual capac-

business plans had resulted in forecasts for annual output being at Saragossa, Spain, and its new cut by an average 7 or 8 per cent, Eisenach, eastern Germany.

Compact cars account for 20 per cent of the German market, where General Motors companies sold 658,000 vehicles last year - 8 per cent fewer than in 1991.

Some 40 per cent of all GM's European sales are made in Germany. The decline in January output, reported by the VDA introduction of short-time working in most domestic vehicle plants. Output is being reduced to cope with falls in domestic demand expected to range between 15 and 20 per cent this

Car exports dropped hy an adjusted 12 per ceot and truck shipments abroad fell hy half, the

VDA said. New car registrations in west Germany were down 28 per ceot during the month. But the figure was distorted by exceptional demand towards the end of last year, wheo huyers rushed to avoid the January I increase in

UK defends stance on Leyland Daf

Continued from Page 1

the UK plants secored hy the receivers with the oew company. The receivers said yesterday that they had secured the intellectual property rights necessary for the independent British operations and had poteotial supply agreements with the new company. The oew venture had also given an undertaking to look at ways for Leyland's 45 series light van to be distributed within its conti-

nental dealership network. The company's Dotch receivers reached agreement at the weekend with the Dutch and Belgian governments, banks and institutional investors on raising Fl 467m (£178m) in fresh equity for a new-style DAF.

oo the market for medium to heavy trucks, and its industrial operations will be divided between the Netherlands and Belgium. The oew company will employ 3,500 people, about half of the original total in these two

The Dutch government is to put up Fl 195m in risk-bearing capital, while the regional government of Flanders in Belgium is cootributing Fl 75m. Together, the two governments will nwn about 57 per cent of the new company, which is to be estab-lished later this week. Of the rest of the capital, Fl 110m will be provided by banks and insurance companies, Pl 50m by institutional investors and Fl 37m by Daf's suppliers, dealers and

ital, bank loans of Fl 400m will be made available by Dotch banks ABN Amro, Rabobank, ING Bank and the National Investment Bank as well as by the Dutch subsidiary of Credit Lyonnais.

The original nine-bank consortium - including Barclays, Lloyds and National Westminster - is understood to have been paid FI 340m for the assets of the old company in the form of casb, some debt for equity and some continuing loans. The consortium had a syndicated loan of £800m to the collapsed company. The new-style Daf is expected to have thrower of more than Fi 2bn compared with Fl 4.94bn in 1991. It plans to prodoce 10,000 trucks in 1993, well down 00 1991 wheo it made 26,000

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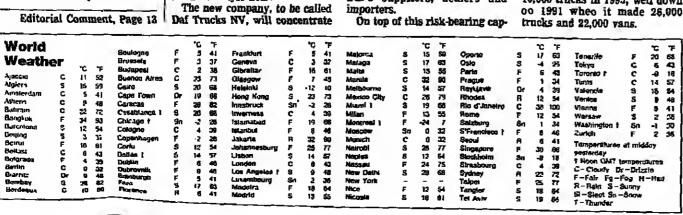
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FINANCIAL TIMES IPANIES & MARKETS

Monday February 22 1993



CSFB

pre-tax

profits rise

INSIDE

RWE slips ahead of rights issue

RWE, one of Germany's largest industrial groups, saw net profits ellp fractionally during the six months to December, to DM395m (\$241m) from DM398m a year earliar. RWE is pisnning to hold its long-awaited rights issue next month. The group said that in spite of the downturn in the German economy, it was confident that in the year to the end of June it would be able at least to hold sales and profits at the sama level as in 1991-1992. Page 17

Nursing homes flotation

The flotation of Westminster Health Care, tha The flotation of Westminster Health Care, tha nursing homes group, is expected to valua tha group at £100m (\$142m) or more. WhC's interim profits before interest and tax more than doubled to £4.3m. The prospectus for the float will contain a profit forecast for tha year to May 31. In the previous year it made £5.3m before interest and tax, on sales of £23.4m. Pago 16

Signed and sealed



The Comish Seal Sanctuary ettracts 200,000 visitors a year, who spend almost £1m visiums a year, who spend almost kim (\$1.42m) between them. Last week, Vardon, the laisure group, paid £1.8m to acquire tha sanc-tuary. The deal highlights tha increasing inter-est being ahown by laisure companias in conservation, Page 16

Elkem omits dividend

Elkam, the troubled Norweglan light metals producer, yesterday revealed sharply increased net losses in 1992, and warned it would omit its dividend paymant for tha third yaar running. Page 17

Prospective p/e ratio

The latest prospective p/e ratio for tha "500" indax for calendar 1993 le 14.2 (Last week: 14.3). This compares with an estimated p/e for the "500" of 17.3 (17.4) for calendar 1992, cal-culated by IBES, based in Naw York. The officlal FT calculation of the historic p/e, based on the letest reported earnings, is 17.68 (17.68).

Market Statistics

Base leading rates	
FT-A World Indices	
FT/ISMA Int bond avc	
Foreign exchanges	
Landon recent issues	

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Moisa-Sorie

16 Prisunic 15 RTZ 17 RWE

17 Riva Group 17 SMH Sherwood Computer

"As e result of conversations which took place last week. I have no doubt that the Daily Mirror's left-of-centre position will continue," said Mr John Melbourn, a senior executive director MGN as a business

Separately it also emerged yes-terday that MGN's board is likely Mr Montgomery's management. NatWest is MGN's biggest

shareholder and Mr Melbourn has been playing a leading role in attempts by the bank to restore

Westminster, Midland, Goldman Sachs and Lloyds, which between them control 54 per cent of MGN's shares as collateral on loans to the late Mr Robert Maxwell, saw Mr Montgomery on Fri-day for a briefing on the perfor-

mance of the businesses. A banker at the meeting said: 'After all last week's speculation, we asked him for an assurance that the newspaper would stay left of centre." Mr Montgomery

non-executives make up 60 per cent of all directors. One or two other non-executives are therefore likely to be appointed. A banks' representative also had e meeting last week with Lord Hollick, the Labour busi-nessman who is a non-executive director of MGN. The banker asked Lord Hollick whether he had e hidden agenda as a director

that no bid was planned.

to \$277m By Patrick Harverson CS FIRST Boston, tha New York-based global investment of MGN, following reports that he plans to make a bid for MGN. Lord Hollick told the banks thet bank, has announced pre-tax profits of \$277m for last year, up he had no hidden agenda and from \$266m in 1991. An unusu-

ally heavy tax burden, however, meant not profits for the year were \$175m, well below the \$215m earned after taxes in 1991. The largest contribution to earnings came from fixed-income sales and trading, where the lowest US interest rates in 80 years and buoyant domestic govern-ment and corporate bond mar-kets created favourable conditions for all the main investment

CSFB said debt and equity underwriting revenues were also strong – a reflection of the record-breaking amounts of new corporate stock and bonds sold in the US markets during 1982 as companies took advantage of low interest rates and heavy demand for equity from invest

The bank's worldwide privatisation and mergers and acquisi-tions businesses also thrived last year. CSFB topped the rankings in 1992 as the busiest adviser among international investment

Yet, in spite of low interest rates, booming US stock and bond markets, and extraordinary levels of new debt and equity issuance, earnings growth at CSFB in 1992 was well below that of other hig US-based invest-ment banks and securities houses, most of which reported record profits last year.

Observers said that the relatively modest growth in CSFB's pre-tax income in 1992 was parily because of its decision to invest large amounts of money in new business davelopment, technology and people, and partly because of the firm's

small equity base. CSFB's equity capitalisation last year was \$1.07bm, small by the standards of big Wall Street investment banks. The equity capitalisation last year of Morgan Stanley, for example, was almost three times as large as CSFB's.

The latest figures confirm that CSFB has fully recovered from its problems of two years ago, when its \$1.20n exposure to trou-bled corporate "bridge loans" forced its parent, the Swiss banking group Crédit Suisse, to launch e financial bail-ont of CSFB in 1990. That year CSFB lost \$587m, but returned to prof-itability in 1991.

Banks given assurance by Daily Mirror

By Robert Peston, Banking Editor

THE FOUR banks which are majority shareholders in Mirror Group Newspapers received an assurance on Friday afternoon from Mr David Montgomery, MGN's chief executive, that the Daily Mirror will remain a left-ofcentre newspaper.

OTHE FINANCIAL TIMES LIMITED 1993

of National Westminster Bank. Mr Melbourn added that "left-ofcentre" is synonymous with backing the Labour Party in gen-eral elections. The banks believe a rightward shift would damage

to issue a statement this week, reaffirming both the left-of-centre stance of the Daily Mirror and stating the board's support for

stability to MGN, after its employees and the Labour Party accused Mr Montgomery of stiempting to break the Mirror's traditional Labour allegiance.

Representatives of National

gave that assurance. Earlier in the week, Mr Mel

bourn sought and received a similar commitment on the Mirror's political stance from Sir Robert Clarke, MGN's chairman. He also asked Sir Robert to stay on as chairman for another year, but suggested that the board should be slightly reconstituted so that

Nerco acquisition offers UK group prospects for long-term growth, writes Kenneth Gooding

RTZ goes west for a foothold in US coal mines

rous and to the uninitiated investor seems environmentally unfriendly. And it does not look like perfect timing to move into coal mining in the US just after Bill Clinton has been elected president - with a new energy tax and promises to clamp down more firmly on environment-damaging operations.

Nevertheless, that is what RTZ Corporation, the world's biggest mining group, is doing. It is mak-ing e \$1.16hn entry into US coal mining with the proposed acquisition of Nerco, the floundering natural resources company.

The stock market was perturbed by this diversification and marked RTZ's shares down. Mr Euan Worthington, bead of the mining team et SG Warburg, says: "It looks like a very good eal - if you want that sort of deal. But should anyone be buying coal anywhere in the world, even reasonably high-quality

According to Mr Bob Wilson, RTZ's chief executive, the answer

for opportunities for some time and towards the end of last year offered to buy Nerco's coal business after the US company's third-quarter results showed it was financially stressed. RTZ was rebuffed then but now is back with an agreed offer for all of

The US company will be split up: RTZ will sell Nerco's oil and gas operations and probably its gold and silver mines too but will keep the profitable coal business and merge it with its Kennecott subsidiary in the US. It hopes to build on that base with more coal

acquisitions. "This is the first step for establishing a new high-quality business for RTZ in the States," says Mr Wilson.

RTZ is not the only UK company to hunt for US coal. In 1989 Hanson, the Anglo-US conglomerate, took over Consolidated Gold Fields which brought with it a 49 per cent stake in Newmont Mining, which in turn owned about one third of Peabody, the secondlargest US coal producer. Hanson was expected to sell that stake but instead spent \$715m to take full control of Pea-

body and it became a core business destined for expansion. Coal is now Hanson's fastestgrowing business and eccounts for more than 30 per cent of the group's capital employed. So what makes US coal so

According to Mr Wilson, it offers long-term, if modest, growth prospects. Before Mr Clinton's election the consensus was that electricity consumption in the US would grow by 1.7 per cent to 2 per cent e year and that is a resounding: Yes. would provide 2 per cent growth
His company has been looking for coal used by the utilities.

Mr Wilson suggests there will also be important changes within coal demand as the US clean air legislation bites deeper during the rest of this decade. Coal with a high sulphur con-

tent from Illinois and the Appalachian Mountains is expected to be displaced by low-sulphur coal from the Powder River Basin which straddles Montana and Wyoming. "So low-sulphur coal demand could grow et better than 2 per cent a year for e long time to come," says Mr Wilson. Nerco gives RTZ two open pit, steam coal mines in the Powder



River Basin and a half share in a third. Nerco's share of production was 16.6m tonnes last year and its share of reserves is 580m

More than 60 per cent of production from these mines is secured by long-term contracts, 95 per cent of the contracts run into the next century.

Mr Wilson says the mines "are about the lowest-cost in the world, with cost typically costing only \$4 a tonne to mine. This is because the deposits are thick and very little waste has to be removed before it can be extracted by cheap, open-pit mercially".

be snag is that Powder River coal has to be transported by high-cost rail-ways up to 1,200 miles to reach customers. Also, Powder River coal might be "clean" but it usually contains only a moderate amount of energy compared with Appalachian material. Nevertheless, the ecquisition

fits in with RTZ's philosophy of wanting a portfolio of wholly-

owned, world-class, long-life, low-

Neither is President Clinton's proposed energy tax much of a setbeck. Mr Wilson says this came as no surprise to RTZ. According to the group's analysis, the proposed tax would be less damaging to the coal business than e carbon tax, will hit oil's competitiveness most of all but favours gas against coal.

Via its 49 per cent-owned subsidiary, CRA, RTZ has interests in coal in Australia and Indonesia, "so the business is familiar to us both technically and com-

Some time ago RTZ decided to add e wholly-owned coal operation to its core businesses which already include copper, alumin-ium, gold, titanium, borax and iron ore. It started in the US "because it is the biggest market

Mr Wilson says there might be opportunities to add to its Powder River Basin reserves because Nerco owns only about 9 per cent of the reserves in the area and

there is no dominant producer.

RTZ might well benefit from this fragmentation, particularly as some of the reserves are owned by oil companies which seem to want to move out of the coal. Also "market forces are pushing for rationelisation because it is an over-supplied market".

Over-capacity is keeping coal prices in the spot market low but Mr Wilson suggests they are unlikely to go much lower. RTZ will also look for opportunities to buy into the internationally-traded coal business or add some value by putting some international coal trading companies together.

Analysts suggest that the Nerco deal seems e good one for RTZ. Mr Geoff Campbell, analyst at Ord Minnett, part of the Westpac banking group, says that, while it is difficult to estimate, RTZ seems to be paying only \$1 a tonne for Nerco's coal.

Mr Campbell says: "The sector

is out of favour at present and not subject to the inflated values seen in some of the base metals

Steady nerves needed in Spain

here is near panic in Spain's ruling socialist party and government over the dire state of the economy and the government's own polls suggesting it might even be defeated if an election were

held this week. Fortunately for tha socialists, an election can wait until the and of November. But Spain went into recession in the last quarter of 1992 and the mood of the country has taken e turn for the worse in the last month. The government is being paralysed by cabinet divisions. with ministers nrging prime minister Mr Felipe Conzalez to ignore finance minister Mr Carlos Solchaga and relax fiscal policy. Worse, relations between Mr

Gonzalez and the left-wing deputy party leader, Mr Alfonso Guerra have become even more strained than usual. Momentarily at least, Spain is rudderless and drifting. Last Friday's regular cabinet meetled without its equally regular press conference. Ear-lier, after the official statistics institute reported unemployment had risen to an historic 3.04m in 1992, the government added to the air of unreality by driving up interest rates in secondary markets to defend the

peseta from some relatively "Defending" the strongest currency in the EMS may have been consistent with the government's commitment to exchange rate stability and a strong peseta (to attract foreign currency to its debt auctions). But with bankruptcies at record levels and the jobs created in the 1986-1989 boom fast disappearing, posturing for foreign bond dealers did not, ated in the 1986-1989 boom perhaps, strike quite the note the country was looking for in

the wake of the unemployment figures.

munity has deserted the Gouz-alez administration en bloc, furious about the party forcing a wstered-down strike law through parliament last week. Opposition from Mr Solchaga, who wanted a tougher bill, was simply ignored in yet another demonstration that when push comes to shove on domestic issues, it is Mr Guerra and the party who rule.

This crunch - recession and election - was bound to catch the aocialists aometime. Spain's core problem is its \$200bn-plus public debt and the price it pays - high interest rates - to persuade foreigners to finance it. If it cuts rates faster than the Bundesbank, it

Economics Notebook

By Peter Bruce in Madrid

mnot sell its debt. But unless it does, the recession will probably deepen. One way ont would be a third devaluation in s year but this would signal panic to the markets and cause great anguish in neighbouring Portugal.

A second way out, unspoken even a year ago but broadly canvassed now in business and, more timorously, in cabinet, is to pull the pesets out of the exchange rate mechanism and allow the currency to float. Downwards, inevitably. But this government would

not be able to do that. It has staked everything on being a loyal player in the EC and it



Felipe Gonzalez: has to decide when to hold election

has, anyway, no way out of the debt trap. The Spanish public purse pays about 15m people — pensioners, the unemployed and a massive civil service and any serious threat to any of those sectors would unquestionably cost the socialists the election.

Thus interest rates will have to stay relatively high (13 per cent against headline inflation of around 5 per cent) at least until financing for the year is complete and to keep pressure on employers until the spring wage round is over. There are already worrying signs that settlements are averaging 8 per cent or more.

Faced with all this, Mr Gonzalez has to decide when to hold his election and, then, how to He first needs to repair the

rift with Mr Guerra. Mr Gonz-alez is considering running the socialist campaign himself but be has never run an election and Mr Guerra has put him in office three times in a row. This cannot be the end. They have fallen apart over policy before and they are doing so again, but neither is suicidal.

Second, he needs some policles that do not upset the peseta - perhaps the removal of or a cut in a business tax, a public works programme and a possible labour reform that would end obligatory and expensive government arbitrage in large-scale redundancy

That may or may not ba enough but the socialists have time to fine-tune and to steady themselves. Certainly, the vic-tory rolls already being drummed out in the opposition press seem absurdly prema-ture. Their economic platform - outlined earlier this month - is an opportunistic mix of unspecified tax cuts and priva-

unspecified tax cuts and privatisations and an uncosted promise to create jobs at the expense of cutting inflation. But Mr Solchaga's orthodoxy may pay off. Inflation is already falling and slowly creating room for interest rate cuts later and the gut feelings of many in histografies that the of many in business that the recession will be deep and long. remain just gut feelings. Who knows? The worst of this could just as easily be over by Sep-

BSM in talks for **October** flotation

By Andrew Jack in London

BSM GROUP, owner of tha British School of Motoring, one of the UK's largest fran-chisers, is in advanced discussions to obtain a listing on the London stock exchange later

this year.

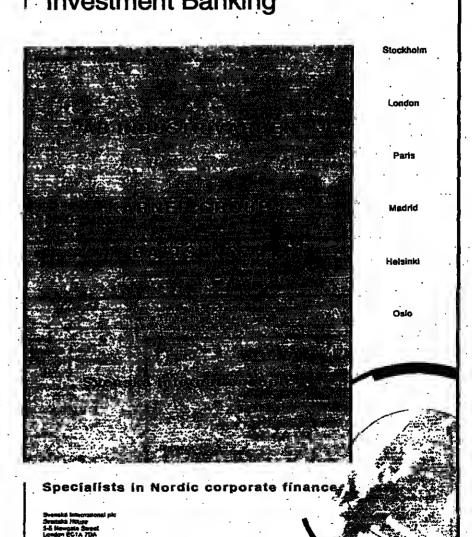
Mr John Mackle of Morgan
Grenfell, who is a non-executive director of the company, said yesterday that a flotation was planned for early October. Final details are still being prepared, but it is believed that the value of the share

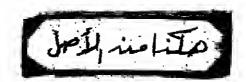
offering may be about 250m (\$71m). The BSM proposal comes at a time when a number of companies are considering going public while the equity market is buoyant, including Westminster Health Care which plans to float in the spring. Mr Mackie said the share offering would provide an exit from ownership for the team which financed the manage-ment buy-out of the company in 1990, as well as reduce the level of borrowing and help fund future growth.

Morgan Grenfell as the spon-soring merchant bank and James Capel as brokers for the float. pers & Lybrand, the auditors,

pers & Lybrand, the suntors, as reporting accountants.
The company reported ordinary profits of 2810,000 in the year to December 31, 1991, before e tax credit of 2109,008 mostly caused by advance cor-poration tax written back. Morgan Grenfell Capital Partners put up £11.5m in equity as part of the £40m buy-out of BSM in April 1990.

Handelsbanken Investment Banking





By Maggle Urry

THE flotation of Westminster Health Care, the nursing homes group, will go ahead this spring and is expected to value the group at £100m or

WHC also announced that interim profits before interest and tax had more than doubled to £4.3m (£2.1m) on turnover of £17m (£9.9m). The prospectus for the float will contain a profit forecast for the year to May 31. In the previous year it made £5.3m before interest and tax, on sales of £23.4m.

The prospectus will also refer to law suits filed in the US against National Medical Enterprises, WHC's US parent. NME bas been sued by insurance companies claiming over-charging. NME is defending the suits.

The float, which is likely to raise at least £50m through a placing with a clawback to allow the public to buy shares, will reduce NME's stake in the group to a percentage in the low 40s. However, NME is not taking cash out of the business, rather it will repay WHC's debt and fund further

expansion. The company aims not to ask sharebolders for further cash for at least 18 months or two years. A fast rate of expansion is expected. WHC owns 39 nursing homes in the UK with 2,620 beds, mostly in purpose built homes, with a high pro-

Sberwood Computer Services

has paid £300,000 in cash to

acquire THS (Guernsey), in a

move which strengthens its

THS (Guernsey) comprises

the majority of the assets and

business of the company which traded as THS Limited, a sub-

sidiary of English & American

Group. At the date of acquist-

tion, THS (Guernsey) had net

assets of £i.1m. The deal will

give Sherwood the rights to a

number of proprietary IBM

position in the insurance com-

portion in single, ground floor rooms with ensuite bathrooms. WHC has another 9 under construction, adding 737 beds.

Mr Pat Carter, chief executive, said that it planned to open 700 to 800 beds a year. By the financial year end it

expects to have 3,230 beds making it one of the larger groups in the industry, although still relatively small in the private sector nursing bome market, valued at £2.2bn a year. New openings are likely to mean that second half profits do not rise as fast as in the first balf.

WHC'e prospectus will also describe the changes taking place in the industry from April 1 as a result of the government's reforms of community care. These shift the funding responsibility for patients who cannot afford private care from central to local govern-

Mr Carter said that local authorities are now preparing for the new system, setting prices and giving patients choice within available funding. WHC takes a higher pro-portion of private patients than most of the operators in the industry.

The leading quoted operator of residential nursing homes is Takare, whose shares trade on a multiple of over 20 times analysts' earnings forecasts for

Barclays de Zoete Wedd is sponsor to the issue, and de Zoete & Bevan is broker.

In a separate move, Sher-

wood announced a joint ven-

ture with Beta Computers

(Europe) to form a new com-

pany, Sherwood International.

The company is 51 per cent

owned by Sherwood, which

acquired its equity by way of a

subscription for shares for

£255,000 cash. The new com-

pany has been formed to

acquire the rights to PALACE,

an advanced life and pensions

administration system with

international potential.

Cashing in on conservation

Paul Taylor on Vardon's purchase of the Gweek Seal Sanctuary

machines or fairground rides at the Cornish Seal Sanctuary on the banks of the Helford river at Gweek. But there are paying visitors - 200,000 of them a year, spend-

ing almost £1m between them. Last week, Vardon, the leisure group which owns ths London Dungeon, the York Dungeon and the Sea Life Centres and which obtained a Stock Exchange listing in October, paid £1.8m to acquire the

The deal highlights the increasing interest being shown by leisure companies in conservation which, in turn, reflects growing public concern about the environment and environmental issues.

There is also a greater realism among some conservationists who appreciate that a commercial partnership can belp provide a more stable financial framework for their operations. For example, London Zoo's latest survival plan, also unveiled last week, emphasises its research, breeding and conservation work in an attempt to attract visitors rather than the old Victorian-style menagerie

The Cornisb Seal Sanctuary was founded by Mr Ken Jones, a former coal miner who in the mid-1960s ran a beach cafe at St Agnes on Cornwall's north the Seal Sanctuary with a view coast. One day he found an injured baby seal pup and decided to nurse it back to health. The sanctuary started to do so. from there.

Mr Jones continued to build on the work of the sanctuary. caring for injured and abandoned animals, but eventually outgrew his beach cafe site. So in the early 1970s, against considerable local opposition, he obtained permission to huild the present sanctuary on a 35acre site on the banks of the Helford in south-west Corn-

The new centre was opened in 1975 and subsequently expanded through a £750,000 building programme to include a visitors' centre, cinema, aquarium, fully-equipped hospital, five seal pools and an exhibition about the effects of

Most of the funding for the sanctuary was provided by Mr Jones himself, or from visitors' donations and a 25p entrance However, in 1990 Mr Jones

pollution.

sold the sanctuary to a group of local and West Country investors and retired, something be now deeply regrets because of his fears that it has

become too commercialised. When be beard a week ago that Vardon had approached to buying it, he tried to raise the money to buy it back himself, bot had insufficient time

Since he sold his interest, the sanctuary has been run on a commercial basis by Seal Sanctuary Plc, although most visitors might not have realised it had switched from an amateur. charitable organisation to a business footing.

Indeed, the sanctuary's new commercial owners did little to advertise their presence. Visitor literature and notices around the sanctuary thank customers for their "support" and still invite donations.

The fences surrounding the seal pools are covered with the names of families and children who bave financially sponsored or adopted a seal. It is s moot point whether these funds would have been so available had the donors appreciated the changed status of the sanctuary.

oday, the sanctuary charges an entry fee of £2.50 for adults and £1.50 for children. On Sundays, more than 1,000 people visit the attraction. Last year it made a pre-tax profit of £124,000 after paying £251,000 in interest and non-recurring

Nevertheless, the sanctuary performs a vital conservation function. There are only an estimated 100,000 Atlantic Grey Seals in the world and two thirds of them are found around the coast of Britain. Until they were protected, the population was declining and only about 400 are thought to remain around Cornwall and

the Isles of Scilly. The conservation work undertaken by the Gweek sanctuary will mesh closely with the work of the Sea Life Centres which Vardon

acquired in October.
Ses Life operates seven wbolly owned and one 50 per cent owned centres around Britain. It is building another in Southend and one in Scheveningen, Holland. Despite the recession, in the year to December 31 the centres posted a profit of £2.15m, a 19 per cent

The Sea Life Centre et Oban, in Scotland, already operates a scaled-down version of Gweek's rescue facilities. Volunteers from both Oban and Gweek worked together on a seal rescue programme in the wake of the Braer oil-spill in the Shetlands.

All the centres have rescue and rehabilitation facilities and operate their own successful environmental programme



Oblivious of the change of ownership: a seal is fed his dinner

Mr David Mace, Sea Life's founder and managing director, says Vardon plans to open two new centres a year.

However, as a marine biologist, he is also sensitive to the concerns of those who fear that conservation and commercial interests do not mix. He says:

"We are certainly not going to

change the sanctuary's aims and ambitions". He adds that conservation will continue to be pursued with "vigour". And already, the sanctuary's new owners bave moved to reassure other sceptics like life Jones. "They have told me they will run it the right way. I

hope they will, but we will

keep an eye on them," be says."

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BZW moves to regroup capital market operations By Richard Waters

BARCLAYS DE Zoete Wedd, the investment banking arm of Barclays, the UK clearing bank, has regrouped its capital market operations in an attempt to boost its activities in the debt and structured finance areas

Like rival NatWest Markets. which has been through an extensive reorganisation of its own, BZW's move appears to demonstrate a recognition that its debt and derivatives operations lag behind more ambitious US and continental European rivals in London.

The bank's bond activities have been largely restricted to sterling in the past, though last week it won its first big

Tyres & Tubes, Hoses & Beltings.

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European currency unit mandate as joint lead manager on an Ecn500m bond issue for the European Investment Bank.

The new debt capital markets group comprises bond origination and private place-ments, structured finance previously part of the corporate finance unit - and swaps and options.

Debt trading and sales activities will remain in the bank's markets devision, though swap and options trading will be part of the new group. Mr John Spencer, managing

director of Barclays' financial markets group, said the changes did not signal any wider shake-up of BZW's corporate finance operations.

97 No. per los per los

Riva settles Hugin claims

Riva Group, the USM-quoted supplier of electronic point of sale systems, has concluded settlement of its claims arising from its acquisition in 1989 of Hngin Sweda Groop.

Under the settlements, KPMG Peat Marwick, Riva's former adviser, and the underwriters of directors and officers and company reimbursement indemnity policies are to pay sums of about £1m. Both KPMG Peat Marwick and the underwriters deny liability.

Riva has also settled certain claims made against the group in Sweden following the liquidation of the former Hugin Sweda subsidiary, Hugin Sweda International. As a result. £264.000 has been released to the 1992 profit and loss account.

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BIDDER/INVESTOR	TARGET .	SECTOR	VALUE	COMMENT
KingRaher (UK)	Darty (France)	Retailing	£560m	Crealing European power
RTZ (UK)	Nerco (US)	Mining	£331m	Move into US coal
Bowsier (UIQ	Specialty Coatings international (US)	Speciatist coatings	£305m	Bowater transformetion continues
Investor Group (France)	Adidas (Germany)	Sports goods	£255m	Tapia selling control
Investor Group (Hong Kong)	Westcoast Petroleum (Canada)	Oil & gas	£135m	Taking substantial staks
Gehe (Germany)	Office Commercial Pharmaceutique (France)	Pharmaceuticals distribution	£99m	Agreed offer
Metaligeselischaft (Germany)	Minnova (Canada)	Mining	£63m	Buying out minority
Angilan Water (UK)	Nordic Water (Sweden)	Process engineering	£36m	Water diversification continues
Scapa Group (UK)	Oberdorfer Group (Germany)	Fabrics	£11m	Core business expansion
Synthelabo (France)	Lorex Pharmaceuticals (UK)	Pharmaceuticals	n/e	Taking full control

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and that the interest payable on the relevant Interest Payment Date August 23, 1993 against Coupon 16 in respect of \$5,000 nominal of the Notes will be \$125.39 and in respect of \$100,000 nominal of the Notes will be \$2,527.78.

February 22, 1993, London By: Ottbank, N.A. (bs.par Services), Agent Bank

Westpac Banking Corporation (Incorporated with limited liability in the State of New South Wales, Australia)

U.S. \$150,000,000 Subordinated Floating Rate Notes Due 1997 In accordance with the terms and conditions of the Notes, notice is

hereby given that for the Interest Period from 22nd February, 1993 to 23rd August, 1993 the Notes will carry an Interest Rate of 3-5625 per cent. per annum. The Interest Amount payable on the Interest Payment Date which will be 23rd August, 1993 is U.S. \$180-10 for each Note of U.S. \$10,000 and U.S. \$4,502-60 for each Note of U.S. \$250,000.

Westpac Banking Corporation

Agent Bank

Westpac House 75 King William Street. London EC4N 7HA

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notes due 2003 Notice is hereby given that 7% per annum from 18 7% per annum from 10 February 1993 to 18 August 1993. Interest payable on 18 August 1993 will amount to \$34.71 per \$1,000 none and

\$347.12 per \$10,000 note. Agent: Morgan Guaranty Trust Company **JPMorgan**

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By: The Chase Manhattan Bank, N.A. London, Agent Bank

February 22, 1993



The Council of **Europe Resettlement** Fund

for National Refugees and Over-Population in Europe ¥10,000,000,000 Floating Rate Notes Due 1994

Notice is hereby given that for the interest period from 22nd February, 1993 to 23rd August, 1993 the Notes will carry an Interest Rate of 4.70% per annum. Interest puyable on 23rd August, 1993 witl annum to ¥234,356 per ¥10,000,000 Note. Agent Sank
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NEWS IN BRIEF

Swiss watch

maker steps

SOCIETE Microélectronique et

d'Horlogerie, the world's larg

est watchmaker, has posted a

60 per cent rise in net profits to

more than SFr400m (\$265m) for

1992, from SFr252m, writes Ian

SMH, known for its Swatch,

Omega, Longines and Tissot

hrands, is proposing a dividend

of SFr16 o share, against SFr14,

and a five-for-one share split.

■ DG Bank, the Frankfurt-based central bank for the Ger-

man co-operative movement,in-

creased operating profits to DM340m (\$204.8m) last year

from DM94m in 1991, writes

David Waller in Frankfurt.

Rodger in Zurich.

up payout

INTERNATIONAL COMPANIES AND FINANCE

A\$36m for Fairfax at halfway

By Kevin Brown in Sydnay

JOHN Fairfax, the Australian newspaper group controlled by Mr Conrad Black's Daily Telegraph group, has announced interim net profits of A\$36m (US\$24.4m) for the six months to end-December.

Fairfax, which was floated on the Australian Stock Exchange in May, said the figures were not comparable with the first half of the previous year, when the group was in

However, the group earned net profits of A\$27m in the six months to June, after offsetting an income-tax liability of A\$11.5m against tax credits carried over from the receivership. Sales were A\$388.5m compared with A\$357.4m in

the second half of last year. Fairfax said it henefited from higher advertising revenne and lower net interest costs, reflecting Australia's falling interest rates and gradnai recovery from recession.

Sales of the Sydney Morning Berald and The (Melhourne) Age increased, but the group said the difficult business environment was responsible for a 3 per cent fall in the circulation of the Australian Financial Review.

The hoard aaid it had decided in principle to huild a A\$300m printing plant in Sydney, which is intended to atch the improved printing facilities Instailed by News Corporation, Australia's hig-gest publishing group.

The group said the plant would be operational by 1996. allowing improved presentation of its newspapers and reducing production costs. These factors are expected to have a significant positive impact on the long term competitive strength of the company," the board said.

The directors said there would be no dividend, in line with forecasts in the flotation

The Daily Telegraph owns 15 per cent of Fairfax, but has applied to the federal government for permission to lift its

Wells Fargo & Company

Flusting rate subordinated

provisions of the notes, notice

1993 to 24 May 1993 the notes

will carry on interest rate of

interest payment date 24 May

Agent: Morgan Guaranty Trust Company

By: Chibank, N.A. (Issue: Services)

1993 will amount to US\$132.71

5 25% rue commit. Interest

payable on the relevant

per US\$10,000 note

JPMorgan

is hereby given that for the interest period 22 February

US\$250,000,000

notes due 1997

In accontance with the

Earnings of |Six-month profit at RWE slips as rights issue looms

By David Waller in Frankfurt

NET PROFITS at RWE, one of Germany's largest industrial groups, slipped fractionally during the six months to December, the first haif of the Essen-hased group's current financial year.

Excluding minority interests, net profits fell to DM395m (\$241m) from DM398m a year earlier, while turnover rose hy 2.5 per cent to DM26.7bn from DM26hn.

RWE is planning to hold its long-awaited rights issue next month. Last year it won approval for shareholders to increase its share capital hy as many as 6.2m new shares. Analysts expect the company to raise hetwaen DM1.6hn and

DM1.7bn from the issue. The group said that despite the downturn in the German economy, It was confident that in the year to the end of June it would be able at least to hold sales and profits at the same

level as in 1991-1992. Energy, construction and related businesses cootinued to do well, RWE said. Combined with cost-cutting and other rationalisation measures in other sectors such as printing equipment and oil, the group is hopeful that it will be able to maintain its dividend at the same level as last year - DM12 per share. This will be payable on the new shares issued in next month's rights issue. In energy production, turn-over in the first half of the

while in oil and chemicals turnover dropped 7 per cent to RWE was at the centre of

controversy in December when shareholders voted to retain an antiquated voting rights structure giving local authorities in the Ruhr area 60 per cent of the votes although they own only 30 per cent of the shares. Calpers, the large US inves-tor, said at the meeting that it was naive of RWE to retain voting rights restrictions while expecting to enjoy continued access to international markets. Although the vast majority of independent sharehold-

ars voted to remove the special

voting rights, the local authori-

ties blocked the initiative.

cuts losses by half to FM290m

By Christophar Brown-Humes

METSA-SERLA, the Flnnish forestry group, cut losses after financial items to FM290m (\$49m) in 1992, less than half the previous year's FM635m

The improvement came despite FM275m in exchange rate losses and reflected the banefits of cost-cutting, improved efficiency and the fail in the value of the markka. There will again be no dividend.

The group believes it will show a profit after financial items in 1693, with sales increasing to FM8hn. ft says its strategy of product speci-alisation should assist the recovery, although it expects general market conditions to remain difficult

"Metsä-Serla's main targets are to improve profitability, secure a good cash flow and reduce indebtedness," it said. Sales for 1692 rose to FM7.75hn from FM7.74hn, although allowing for divestments, the increase was 9 per

The davalnation of the markka compensated for the sharp fall in market prices, the company said.

The operating margin climhed to FM1.23hn from FM896m while operating profits rose to FM718m from FM391m.

Corrugated board and tissue was the group's best performing sector, increasing operat-ing profits to FM352m from FM242m.

Paper and paperboard produced an operating profit of FM196m, up from FM190m, while sawn paper and pulp managed FM167m of profits after 1991's FM41m losses. · Hafnia, the Danish insurance group which is np for sale, has sold Cambio + Valo-

ren, its Swiss asset management bank, to Union Bancare Privée, the Geneva-based private bank, writes Hilary Barnes in Copenhagen. The deadline for offers to buy Hafnia, which was placed

Metsä-Serla | Deficit deepens at troubled Elkem as dividend omitted

By Karen Fossii in Oslo

ELKEM, the troubled Norwegian light metals producer, yesterday revealed sharply increased net losses in 1992, and warned it would omit Its dividend payment for the third year running.

Net losses last year rose to NKr616m (\$89m) from NKr443m in 1991 while sales fell by NKr514m to NKr7.3hn. Elkem said its main markets continued to he plagued hy weak demand, high levels of exports of metals and alloys from China and eastern

Europe, and over-capacity. "The company considers that there are no reasons to expect significant changes in the mar-ket situation in 1993," Elkem warned further.

Group operating costs were cut by NKr63m to NKr6.99m hut the company pledged to continue cost-cutting efforts. The number of employees was cut hy 679 045 last year. Elkem said cost reduction

measures announced in the second half of 1992, including a further cut in Its workforce

By Patrick Harverson

leave is completed.

eligible for the plan.

AS PART of its cost-cutting

drive, General Motors, the larg-

est car manufacturer in the

US, is offering salaried employ-

ees paid leave of between slx and 15 months if they agree to

ieave the company once the

GM hopes that the plan, com-

hined with natural attrition.

will reduce its white-collar workforce by 8,000, or 10 per cent, before the end of the year. Only salaried employees

who have been with the car

maker for more than a year are

The company has already had success with its early retire-

ment programmes for

white-collar workers over 50

years old, which have heiped

reduce the salaried workforce

GM offers salaried staff

paid leave in job cuts plan

and renegotiation of raw mate-rials contracts, would have a positive effect in 1993. The company charged accounts with a NKr125m loss on Elkem Technology and NKr86m for

restructuring.

However, the charges were offset by a NKr214m gain on the sales of assets and a NKr50m tax reduction. Elkem's shareholdings in associated companies yielded net losses of NKr76m in 1992 against profits

of NKr58m previously. Net interest expenses rose to NKr431m from NKr416m in 1991. Elkem said it suffered foreign currency losses on dobt of NKr33m in the fourth quarter. Finance expenses rose to NKr511m from NKr421m in 1991. "Financial costs were also affected by the high level of interest rates in domestic money markets in the fourth quarter.'

Elkem said its financial base had been strengthened in the fourth quarter hy NKr580m raised from a share issue, gains from assets sales and the estshlishment of a NKr550m credit facility.

from 91,000 to 76,000.

Overall, GM is trying to cut

74,000 white and blue collar

Toyota, Japan's leading car

maker is considering manufac-

turing pick-up trucks in the US

after the collapse of talks with General Motors over a joint

venture, writes Charles Leadbeater in Tokyo. Toyota said it would start

looking at whether to set up its

own production facilities in the

US after GM rejected proposals

for a joint venture to make the Toyota T100 truck. "Partner-

ship with GM was one of our

Toyota started exporting its

T100 truck to the US last

autumn, but sales have been

restricted by the 25 per cent tariff charged on imports. This

cholces," it said.

However, the bank, which is in the throes of restructuring, did no more than hreak even at the net level, after increasing provisions against doubtful country and corporate risks.

■ Haydaux du Tilly, the Paris stockhroker, is being taken over hy Credit Agricole, one of France's higgest banks, writes Alice Rawsthorn in Paris.

After family shareholders of Haydaux were forced into a FFr62m (\$11.3m) recapitalisation, Crédit Agricole provided most of the new capital lifting its stake from 30 to 90 per cent. The family provided 10 per

■ Hnntsman Chemicai, a privately-owned US chemical group, has agreed to huy half of Chempiex Australia from Consolldated Press, Mr Kerry Packer's Australian media and industrial group, writes Kevin

Brown in Sydney. ConsPress had agreed to sell Chemplex to Sentrachem, the South African chemicals group, hut the deal fell through after a disagreement over the

Rodamco, Europe's largest property investment fund, has bought 50 per cent stakes in three Australian shopping centres for Fl 650m (\$347.5m) cash, Renter reports from Rotter

The remaining stakes will be held by Westfield Trust, an

group, bas denied French newspaper reports that it was reflecting the sluggish state of French consumer spending and in negotiations with Pinault.

Pinault considers Prisunic sale

By Alice Rawsthorn

PINAULT, the French retail group, is considering the sale of Prisunic, one of France's largest store chains, as part of its efforts to raise capital to reduce the deht left hy its take over of tha Au Printemps stores group.

Galeries Lafayette, one of Printemps' main rivals in the department store sector, is mooted as a prospective purchaser, Galeries Lafayette, aiready burdened by FFr2.8bn (\$505m) of debt after its acquisition of the Nouvelles Galeries However, it left open the possibility of future talks saying it "did not anvisage hidding for Prisunic at Prisunic, a chain of 94 mixed

merchandise stores with 230 affiliates, is a leading player in French retailing. It came to the fore in the 1970s when it was influential in introducing contemporary design to France. fulfilling a similar role to Habltat in the UK.

The group has come under

the intensely competitive condition of the retail sector, It made operating profits of just FFr34.3m on sales of FFr4.9bn Pinault has heen selling

assets for some time. Initially it concentrated on its old industrial interests hnt in recent months has started selling its recenlly acquired retail interests. Pinault, which is reported to hope to raise FFr2hn from the Prisunic sale, has also reshuffled its finances in an attempt to alleviate the pressure in recent years, hurden of its FFr19hn net deht.

Shortfall at Air Canada worsens

By Robert Globens In Montreal

HEAVY fare discounting to maintain market share and restructuring charges brought Air Canada's 1992 net losses to C\$454m (US\$361m), or C\$6.13 a share, against losses of C\$218m or \$2.94 a share, the year

Revenues were barely changed at C\$3.5bn. Domestic markets continued to be depressed because of the

Landes -

Landeskreditbank

US\$250,000,000

Baden-Württemberg

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Notice is hereby given that the

noles will bear interest at 5%

per onnum from 22 February

1993 to 20 August 1993. Interest

payable on 20 August 1993 will

omount to US\$124.31 per US\$5,000 note and US\$248.61

US\$2,186.11 per US\$100,000

Agent: Morgan Guaranty

CITIBAN(

per US\$10,000 note and

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Baden - — — Württemberg

were highly competitive. The only favourable sign was

an upturn in operating results for the fourth quarter, said Mr Hollis Harris, president. Operating costs were reduced 10 per cent in 1992 and 2,200 jobs were The 1992 final loss was worse

than analysts had forecast. On an operating basis before all special charges, Air Canada's operating loss was C\$145m, against C\$164m.

TOSHOKU FINANCE NETHERLANDS B.V.

US \$15,000,000

Roating Rate Notes 1997

Nippon Credit International Limited London

Agent Bank 22nd February, 1993

TOSHOKU FINANCE NETHERLANDS B.V.

US \$10,000,000

Floating Rate Notes 1998

Nippon Credit International Limited

COMPANY

NOTICES

VORKSHIRE INTERNATIONAL

NOTICE IS HEREBY GIVEN that the Annual Report and Accounts for the period ended Jinh September, 1992 are osaliable from Yorkshire Bank PLC, 20 Mermon Way, Leck LS; SNZ, The Annual Report and Accounts of Yorkshire Bank may also be

edumed from this address.

Agent Bank 22nd February, 19

Into est Payment due 2nd June, 1993 per US 510,000 Note US 5108.42

22nd February, 1993 to 2nd June, 1993

3.90313% per aprium

Interest Payment due 23rd August, 1993 per US \$10,000 Note US \$205.38

22nd February, 1993 to 23rd August, 1993

4.0625% per annun

Air Canada has warned it lose about C\$200m in 1993,

with further rationalisation of equipment and manpower, and hopes to return to profitability in 1994.

Mr Harris said having two Canadian airlines operating internationally was counter productive. He called again for a merger with rival Canadian Airlines, now trying to complete a stock and operating alliance with American Alrlines.

PWA, Canadian's parent company, forecast it would report a heavy 1992 loss later

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on the market last antumn,

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Lazard Brothers & Co., Limited 21 Moorfields London EC2P 2HT

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22nd February, 1993

ied Toyota to consider manufacturing the truck in the US. Australian property fund. Currency Fax - FREE 2 week trial from Chart Analysis Ltd 7 Swallow Street, London Wtfi 7HD, UK-exchange rate specialists for over 18 years 711439 4966

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NOTICE OF REDEMPTION

Serias 'A' to 'F' Mortgage Backed Floating Rate Notes Due October 2023

Notice is heroby given, that in accordance with Conditions 5(c) of the Prospectus dated 13th October 1968, the Issuer Intends to redeem £1.800.000 in aggregate valua of the Notes on the respective March 1903 intends to the Notes on the respective March



HOTEL RITE

of the Financial Times.

NM INCOME & GROWTH FUND

SICAV 2, boulevard Royal L-2953 LUXEMBOURG

R.C. Luxembourg B-23410

Notice is hereby given to the shareholders, that the

ANNUAL GENERAL MEETING

of shareholders of NM INCOME & GROWTH FUND will be held at the head office on March 5, 1993 at 11.00 a.m. with the following agenda:

Submission of the Report of the Board of Directors; Approval of the Statement of Assets as of December 31, 1992 and of the Statement of Operations for the year ended December 31, 1992;

. Allocation of the net results; . Discharge of the Directors;

Statutory appointments; Miscelianeous.

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be taken at the majority of the shareholders present or represented.

In order to attend the meeting of NM Income & Growth Fund, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with Banque Internationale à Luxembourg, 2, boulevard Royal.

THE BOARD OF DIRECTORS

COMPAGNIE BANCAIRE

Société Anonyme

apolisted in Flance with fimited hability Hogd Office: 5 avenue Kleber, Paris 16enie

NOTICE OF ORDINARY AND EXTRAORDINARY GENERAL MEETING The shareholders of Compagnie Bancaire are invited to attend the Ordinary and Extraordinary General Meeting to be held on Wednesday, 17th March, 1993 at 5 00 p.m. at the Head Office, 5 avenue Klober, Paris 16eme, to consider the following Agenda:

The Report of the Board of Management on the current activities and position of the Company

The Reports of the Auditors.

- The commonts of the Supervisory Board - The approval of the accounts for 1992 and appropriation of profits and option to pay the dividend in the form of shares.

Nomination of a new member to the Supervisory Board - Renewal of the mandate for four members of the Supervisory Board

Renewal of a censor's mandate - The authorisation of the Board of Management to buy and sell shares

of the Company on The Stock Exchange in order to regulate their price. The authorisation of the Board of Management to grant an employed

share option scheme and to fix the term of their exercise. Any other business In order to attend or be represented at the Mecting, owners of registered shales must have been entered on the register five clear days pirot to the Meeting Holders of boarer shares must deposit, at least five clear days prior to the Meeting at the Head Office, the certificate of deposit.

Postal votes must be received at the Head Office of the Company on the appropriate form six days in advance of the meeting

Shareholders who wash to attend the Moeting are requested to make advance application to the Company for an admission card

issued by the bank, financial institution of stockbroket with whom the



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> FINANCIALTIMES

Friday's first report by the

Treasury's panel of outside

economic advisers provided a

tonic for the gilt market in one

respect, in its espousal of the

abandonment of the full-fund-

ing rule for financing the

Such a step - which is being

examined by the Treasury before the March 16 hudget

would mean purchases of gilts

by banks and huilding societies

would count towards financing

the delicit, expected to be

about £37bn this financial year

and nearly £50bn in 1993-1994.

cated for months by many gilt

specialists on the grounds that the action would reduce the

amount of issues required over

the next few years. As a result

it might pull down long-dated

The report from the seven

strong panel was generally

gloomy about the UK's

short-term economic ontlook.

glit yields.

The move has been advo-

Economic indicators point to long-end gains President delivers a rosy

0 5 10 yrs 20 25

putting likely growth this year

at just over 1 per cent. It said

there was uncertainty about

whether a significant recovery would take place, while under-

lying inflation this year is

likely to stay within the 1 to 4

per cent target range set by the

Further good news on infla-

UK gifts yield

Restated at par (%)

THE long end of the gilt market made further gains last week, due to more settled news on inflation and a slight easing of fears about the public sector borrowing requirement (PSBR).

Gilt investors were cheered by news of yet a further slowing in the year-on-year rate of increase in average earnings. This came down to 4.75 per cent in December, from 5 per cent in November, and repre-sents the smallest rise in 25

There was also some optimism that a higher-than-expected £3.83bn surplus in government floances in January might indicate a slight easing in the pressures on the PSBR. While long-dated gilts

slipped in yield by about 20 hasis points over the week, prices at the short end stayed virtually the same, with little to suggest any immediate cut

CANADIAN BONDS

Passionate embrace fosters flood of issues

horrowing requirements and investors looking for decent yields at low risk are embracing each other with a passion in the Canadian bond market. International and domestic issues hy all levels of government in Canada have exploded recently. Borrowings in January exceeded C\$10bn.

Last week alone, Quebec raised C\$1.4bn through its first global issue and Manitoba tapped the Yankee market for US\$300m. At home, the federal government priced a C\$1.8hn five-year issue, while Prince Edward Island raised C\$60m.

The market has so far absorbed the flood of new issues - not to mention numerous EuroCanadian offerings hy non-Canadian borrowers - with remarkably little

Spreads between Canadian and US bond yields widened in January when domestic institutions were net sellers, but the gap has narrowed more recently. The benchmark Government of Canada 10-year bond yielded 7.49 per cent 135 hasis points higher than

equivalent US Treasuries. The

in January. "There'a a slight cost to this, hut less than I would have expected it to be," says a government-finance specialist at one Toronto securities firm.

The surge in horrowing stems from yawning hudget deficits at both the federal and provincial levels. The federal deficit is expected to jump to C\$34.5hn in the fiscal year to March 31 1993, compared to a projected C\$27.5hn in last February's budget.

Royal Bank of Canada estimates that the 10 provinces will have a combined budget deficit of C\$23.5bn this year, up from C\$22.2bn in 1991-1992 and C\$9.8bn the previous year. Public sector horrowings in the domestic market could top C360bn in 1993 as a whole,

The supply of funds has so far matched, and even outstripped, demand. Some smaller provinces are said to have been offered a year or two's require-

ments in a single issue.
For investors, the main attraction has been the combination of a stable currency, a more generous yield than US

securities with little extra risk, gap was as wide as 164 points and a liquid market.

Mr David Adamo, director of fixed-income research at ScotiaMcLeod, says: "If you're a US or European investor looking for an attractive rate in a country with minimal inflation, Canada looks good."

Prices, especially at the sbort end, are expected to remain firm for the time heing. With the economy still weak, analysts predict further falls in short-term interest rates with inflation at 1 to 2 per cent. Canadian securities will also benefit from any further improvement in the US bond

Mr Daniel Kelly, vice-president for fixed-income research at Wood Gundy, adds that the Canadian provinces, almost all of which have single-A credit ratings or better, will continue to have access to the Yankee market "as long as people are reasonably optimistic on the US dollar and US interest

But a warning shot was fired over the market last week by the CD Howe Institute, one of Canada's premier economic think-tanks. The institute

data which underlined the firm downward pressure on wage settlements. The year-on-year rise in the index of underlying earnings across the economy has now come down in every month since June when it was 6.25 per cent.

With all the signs being that the government will probably stick to its target of keeping rises in public sector wages at 1.5 per cent or less, the prospect of further falls in wage inflation in the months ahead look reasonably good. Even so. this may not necessarily feed into the headline inflation rate.

According to the Treasury's economic advisory panel, infla-tion as measured by the yearon-year increase in the retail prices index will rise from 1.7 per cent last month to 2.5 per cent by the end of this year and 3.6 per cent by the end of

conomists at a recent seminar

on the fiscal outlook felt that

Canada's poblic deht hurden

has grown to the point where

ancing cannot he taken for

economist at Bank of Nova

Scotia, suggested that uncer-

tainty about the outcome of

Canada'a general election later

this year, further bad news on

provincial finances, or evi-

dence that Ottawa will have

difficulty cutting its deficit

"could all trigger a Jess recep-

tive borrowing environment". Demand for funds, especially

from the provinces, shows few

Mr Benoît Durocher, a Royal

Bank economist, predicts that

provincial deficits will not

come down much in 1993-1994

While tax revenues will rise as

the economy accelerates.

finance ministers can no lon-

ger rely on inflation to

income tax brackets, or to

boost receipts from sales

Bernard Simon

push taxpayers into higher

signs of easing, however,

Mr Warren Jestin, chief

granted".

tion came from labour market getting too excited about any huild-up of cost pressures which may be in the pipeline. Most economic statistics continue to indicate fairly stagnant demand. The latest retail sales data did show a better than expected 1.6 per cent rise in sales volumes in January compared with December.

But much of this was a rebound from a poor Christmas period. In the three months to the eod of January, sales volumes were up a modest 0.2 per cent compared with the previous three months, significantly less than the quarterly rises in the middle of last year.

On the PSBR, the large surplus in January - the first for a year - is likely to be countered hy hig deficits this month and in March as technical changes related to the collection of tax revenues work their way into the fleures.

However, the publication of the January number diverted many gilt practitioners from the extremely large forecasts for the PSBR for the 1992-1993 financial year which have been published by some in the City in recent weeks.

On the back of the January number, Mr Chris Anthony, an economist at the normally extremely bearish UBS Phillips & Drew, says he thinks the PSBR for the year will come out at £35bn, £2bn less than the prediction made hy the Treasury last November.

Peter Marsh

US MONEY AND CREDIT

outlook for Treasuries

IT IS unlikely that any new president in modern history has received so enthusiastic a reaction from the domestic bond markets as has Mr Bill Clinton the past week.

When he won the presidential election on November 3, the yield on the benchmark 30year government bond was standing at 7.645 per cent and the yield on the two-year note was 4.416 per cent.

On Friday, after a week-long rally in bond prices, the 30-year yield had plunged to 7.000 per cent and two-year yield had dropped to 3.945 per cent.

The 30-year is now recording the lowest yield since the issue was first sold to the public in 1977. Given that Democratic presidents are normally regarded as the enemy of fixedincome investors - because they like to use the power of the government to generate economic growth, a policy approach that can have inflationary consequences - the performance of the bond markets under President Clinton

has been remarkable. The recent strength in bond prices can be put down to a variety of factors, but one has been dominant - a surprise among Treasury investors at

the presideot's willingness to propose tough, politically unpopular measures to cut the huge federal deficit. Last week's economic plan

from President Clinton, a mixture of hig tax increases. selected spending cuts, and targeted government "invest-- a euphemism for more spending - was a braver assault on the deficit than the bond market could ever have imagined in the pre-election

The president's economic package - which is geared to short-term economic stimulus this year but which quickly shifts its focus towards deficitreduction in 1994 and 1995 has been welcomed by bond investors not just because it tackles the deficit problem.

days of mid-1992,

The plan has also earned applause because the Treasury market believes the net effect of the measures proposed in the State of the Union address last week will be to slow the rate of economic growth in 1994 and possibly beyond.

This is not only good news on the inflation front, but also in terms of the direction of monetary policy. As Mr Neal Soss, chief economist at First Boston, said of the president's economic package last week: This is extremely hullish for securities markets, because it postpones the prospects for any Federal Reserve tightening

of monetary policy."
Mr Soss believes that the tax increases will effectively take the place of interest rate rises as the main method of pacing

inflation.

President Clinton, however, cannot claim all the credit for the bond rally. Prices have been driven higher recently by at least two other factors. One has been the flight to quality by investors frightened by the dramatic downturn in stock prices after the president's tax increases were first

announced. The other has been the continued apeculation that the Treasury plans a big cut in the size of future long bond issues as part of a plan to reduce the cost of servicing the federal

The flight to quality will probably continue to benefit the bond market until equity Investors have grown more comfortable with the new economic policy emanating from the White House, and despite hints from the Treasury to the contrary, longer-dated prices will also continue to benefit from expectations of future cuts in long-bond issuance.

Consequently, the market's short-term outlook looks rosy. As Salomon Brothers said on Friday: "If the key 7 per cent' threshold on long Treasury yields is breached - as we expect - long-term yields are likely to head toward 64 per

Patrick Harverson



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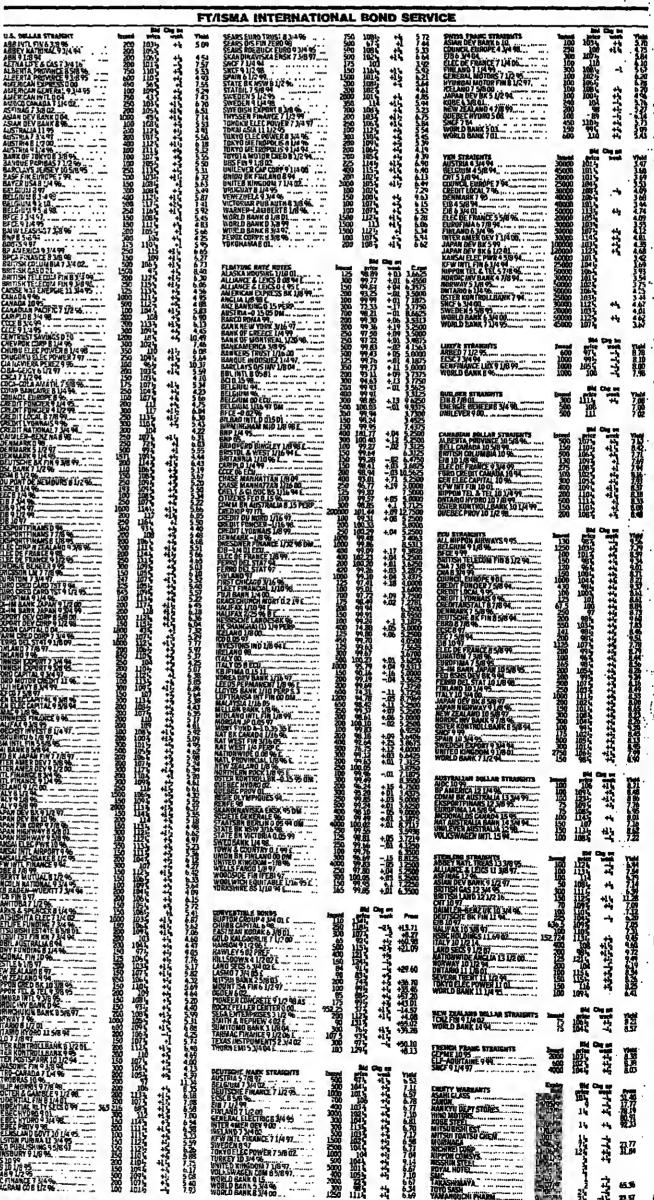
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INTERNATIONAL BONDS

Borrowers turn attention to global offerings

THE CONCEPT of global hond offerings is catching the attentioo of a growing range of borrowers. Last week, the Kingdom of Sweden. the World Bank and the Canadian Province of Quebec all launched

large global bonds.
The process of offering bonds simultaneously in the US, Europe and the Far East allows borrowers to raise larger sums and to place paper at the best possible price. Not surprisingly, borrowers are eyeing the mechanism closely, but it does have some limitations.

The concept was pioneered by the World Bank, which launched a \$1.5hn issue in September 1993. Last week's Y200hn global hond issue was its tenth, and it plans to launch the first D-Mark global offering later this year.

Mr Kenneth Lay, director of financial operations, says that one of the main motives was to achieve a single world price for its bonds. This has resulted in what the World Bank regards as a more accu-

rate valuation of its bonds, thereby

US DOLLARS

World Bank(r)\$

Toshoku Finance Neth Ifit

Samwa Finance Aruba(h): Crédit Lyonnais(i):

inodom of Swedenia mi

Credito Argentino(a,s) Credit Lyonnais(u)‡ Banesto Issuance(Cay.)(v)‡

Riso Kagaku Corp.(a.b)§

Japan Airlines Co

World Bank(m)

Taryo(g)‡* BMW Finance(i)‡

FRENCH FRANCS

Hamburgischs LB(p)

Kobe Steel Kobe Steel

D-MARKS

CNA(t)

ecus

STERLING

Arayll Group

increasing investor confidence in blind to such considerations. the pricing of the paper.

Prior to the start of its global programme, there was often a yield dif-ferential of 10 to 20 basis points between World Bank Eurobonds and bonds placed in the US market. In practice, all triple-A credits are not the same: European investors were willing to pay a higher pre-mium for World Bank paper than US investors. Under the global programme, the knowledge that there would be a strong bid for the paper in Europe helped increase US investors' confidence.

But there are other differences between US and European investors. European investors are heavily influenced by their views on the currency outlook, buying dollar bonds aggressively when the dollar looks set to rise. Japanese investors take a similar approach, but the timing is different, since there are occasions when, for example, the dollar is weak against the yen but firm against European currencies.

US investors on the other hand are

99,796 99,536 100 100

98.343 99.93 99.9

101.725

101.725 99.72 101.8

100

102,2 100

99.57

100.725

6.125

Av. life Coupon

5.27

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5.02 10.05

7.28 5.27

Jun. 1998

(h) Mar 2003

Mar. 1997

Mar 2003

Mar. 1998

Mar.1996 Mar.1996

Mar. 1986

Jun. 1998

Mar.1996 Mar.2003

Jun. 2000

Mar.1988 Mar.2003

Mar 2003

Mar.2004

Mar.2000

500 150

200bn

30bn

25 200

400 100

So far, there have been global offerings in dollars, Canadian dollars, and yen. Global bonds denominated in D-Marks and French francs are expected this year.

That experiment may be less auccessful. Although hoth currencies are increasingly widely traded inter-nationally. US fund managers are still far more averse to currency risk than their European counterparts. US bankers are sceptical about how well the structure would function, given that most US fund managers still want to buy only dollar bonds.

So far nnly two corporate borrowers, Matsushita Electric Industrial of Japan and Ford Motor Credit of the US, have issued global bonds, and the scope for more global corporate honds appears limited. Few companies need to borrow sums of \$1hn or more in one go.

Further, differences in credit perception between corporates from ferent countries are more difficult to overcome. For example,

NEW INTERNATIONAL BOND ISSUES

9,763 8,988

4.797

6,717

8.060

7.986

6.966 9.415

Mippon Credit Int. Samwa International Kidder Peabody Int.

Nikke Europe Lehman Brothers int.

Salomon Brothers Int. Salomon Bros. MSI Semuel Montagu Lahman Brothers Int.

Citicorp Invinent Benk UBS P&D Securities

Marrill Lynch Int. Merrill Lynch Int.

Nikko Europe Nikko Europe

Nikka Europe

Commerzha

CSFB

8ZW

101.165 RBC Dom.Secs.Int.

Yamalchi Int.(Euro IBJ 7MSI /Nikko

Dalwa Bk.(Deutsch.)

Paribas Can Mitts.

Kingdom of Denmark EBAN

GUILDERS

PESETAS

Eurofime(j)

SWISS FRANCS

Nordic Investment Bank Asian Development Bank Finnish Export Credit

Finance for Oanish Industry Bictor Outch Municipalities

NEW ZEALAND DOLLARS

State Bk.New South Wales

Toyo Construction(c)**
Nishikawa Rubber Co.(d)**

Windon Corp.(e)*4

Kyoto Tool Co.(k)*4

Kyoto Tool Co.(k)*4

Nisseki House Ind.(a,k,n)\$*

Japan Finance Corp.

Kingdom of Belglumk

LUXEMBOURG FRANCS

BBL International

Ford's recent global offering was mostly placed in the US, where Ford paper trades far tighter than in Europe.

The greater familiarity of investors with domestic companies is likely to mean that the advantages of global bond offerings for companies are more limited: when a single-A rated UK company launches a long-dated sterling bond, it is likely to be placed with a small hase of stic investors, even if it were

to be packaged as a global offering. The global bond market is less a single market, than the linking of a number of different markets, to the benefit of both investors and bor-

Global honds combine the features of US bonds and Eurobonds. The borrower has to register its intended offering with the US Securities and Exchange Commission (SEC) and get its prospectus approved by the SEC, as for a US domestic bond.

But global bonds have the same fee structure as for Euroboods,

Mar 2000

Mar. 1998 Mar. 1998

Mar. 1996

Mar.2000

Apr.2003

Mar 2003

Feb.2000

Mar, 1997

Mar. 1997

Mar 2000

Apr.1998 Mar.1999

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which is cheaper than the US mar-

Efficient distribution and settlement between markets in different parts of the world have considerably reduced price spreads because the bonds can flow to areas of great-

Secondary trading in global bonds is facilitated by the formal bridge between the Depository Trust Company (DTC) in the US and the European clearing houses, Euroclear and Cedel. The Bank of Tokyo operates a book entry register for yen global bonds, and depositary and custodial links are established between Euroclear, Cedel and DTC to enable the transfer of those bonds against pay-

ment "The bonds can therefore be set-tled freely in each market," says Mr Charles Berman, director in the capital markets group at Salomon Brothers in London.

Salomon Brothers In Merrill Lynch Int. RBC Dom.Secs.Int. Goldman Sachs Int.

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Crédit Européer

Antonia Sharpe and Tracy Corrigan

RISK AND REWARD

UK equity options trading fails to find its stride



trading in Germany has surged in the last few years, despite the relatively low level of stock investment in Germany.

But the UK equity options market has still failed to take off, even though UK fund managers are heavily invested in stocks. Preconceptions that an active stock market is a prerequisite for a healthy options market seem to be

A year after the merger of London's futures and options exchanges, amid bopes that the union would revive trading in UK stock options, the best that can be said is that volume has stabi-

Tradiog in individual stock options had been falling steadily since 1987, when retail investors were scared off by the stock market crash. But UK fund managers have not been willing converts, despite marketing efforts by the London International Financial Futures & Options Exchange (Liffe).

Liffe's difficulties are part of a broader trend: US-based exchanges - from a far stronger base - have suffered declining volume in stock option husiness, as retail investors deserted their markets.

But Germany's Deutsche Terminborse (DTB), has bucked the trend. in 1992, the DTB traded 14m Dax potion contracts and 10m individual stock options, compared with 3m FT-SE options and 4.5m individual equity options on Liffe.

There are a number of factors involved. First of all, the smaller number of

large German companies may actually have proved an advantage, rather than a disadvantage. Liffe lists 65 UK stock options, while the DTB lists only 15, concentrating on the relatively small group of hiue-chip German companies. Mr Roger Barton, head of product

development, said that Liffe is considering reducing the number of options, but the problem is that liquidity tends to shift, so that an option on one stock may be very quiet for as much as a year, and then suddenly spring to life.

EQUITY options that the DTB's screen-based trading system is better sulted to options that Liffe's open-outery market. since It is easier to trade a variety of similar products - in this case,

different series of options - on a

Liffe's APT screen-trading system is being developed to handle options, but the board has yet to decide whether to go ahead with screen-based trading. The systems capability is expected to be ready by the end of the year.

Many options traders also argue that the rules governing the UK stock market are a severe handicap to dealing in stock options. The delay in reporting large equity trades gives the main equity mar-ketmakers an unfair advantage, and forces oplions marketmakers to make prices on an uneven playing

field, they argue.

Another advantage for the DTB is that there are tax benefits involved: foreign investors can avoid paying capital gains tax on German share dividends by using the options mar-

But, given the potential revenues available, many analysts are surprised that more UK fund managers do not write call options. Writing, or selling, call options involves agreeing to sell an equity at a pre-set "strike" price: an extremely dangerous practice for investors who are not covered. But for fund managers, holding huge portfolios of shares, it is a relatively attractive method of earning money and

boosting performance. But even if more fund managers started to write options, there is still a lack of business on the other side of the equation, hence Liffe's desire to promote equity options among retail investors, who often buy uptions as a means of obtaining exposure to a stock for a limited

The other hope is that the development of a more active over-thecounter market in equity deriva-tives, which many banks are actively pursuing, would feed through into the exchange-traded market as banks seek to manage their exposure. But husiness in that area too, seems to have stal

Tracy Corrigan

European Investment Bank 500 Mar.2000 CANADIAN DOLLARS 7.25 Mar. 1998

THE KOREA-EUROPE FUND LIMITED International Depositary Receipts issued by Morgan Guaranty Trust Company of New York

INTERIM RESULTS

At 31 December

1992 US\$ 000

The Directors of the Korea-Europe Fund Limited announce the un results for the six months ended 31 December 1992.

Assets applicable to ordinary capita Net asset value per share	146.952 \$5.12	134.630 \$4.69	-
	Six Months Ended 31 December 1992 US\$ 000	Six Months Ended 31 Describer 1991 USS 000	
Investment Income Dividends Bond Interest	253 319	193 95	
Deposit Interest	577 22	288 22	
Total Revenue	599	310	
Papenses and interest	203	<u>830</u>	
Deficit before taxation	304	520	
Taxation on the revenue	29	30	
Delicit after taxation	333	550	
Deficit per share	1.16 cents	1.92 cents	

in the calender year 1997, net asset value per share increased by 9.2 per cent, compared with a rise of 6.9 per cent, on the KSE Composite Stock index in U.S. Dollar norms. In the first six rise of 6.9 per cent, on the KSE Composite Stock index in U.S. Dollar norms. In the first six remains of the year, following the limited opening of the Korean stock market to direct foreign markets of the year, of the Company benefitted particularly from substantial interest in stream of the process of the year domestic interest substantially outperformed the index. However, in the second half of the year domestic interest substantially outperformed the index. However, in the second half of the year domestic interest turned to harge capitalism lon stocks. Buying concentrated on securities companies construction companies and in particular Korea Electric Power and Pohang Iron and Stock-construction companies and in particular Korea Electric Power and Pohang Iron and Stock-treigh investors were prohibited from investing in these two companies, which now account for 17 per cent. of total market capitalism lon, for most of the year and the Company's inability for the present of the contract of the per cent, in trice in the linkex in the six months.

Dividred payment by Koren companies are concentrated lato the second half of the Company's (tannets) year and as a result there is a deficit of revenue for the first six months of the current year. The Directors anticipate, however, that there will be a surplus of revenue available for distribution for the year ending 30 June 1993.

The interim report will be mailed to registered shareholders at their registered address on 36 February 1993 and will be made available to holders of depositary receipts at the offices of \$5, breder Investment Management Limited, 33 Gutter Lane, London ECZV \$AS. Depository: Morgan Guaranty Trust Compuny of New York, Brussels Office, 35 av. des Arts, 1040 Brussels.

auticing Society

£175,000,000

Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice to bereby given that the Rate of Interest for the three atomat period ending 17th May, 1993 has been fixed in 6.40% per minum. The interest accruing for such three month period will be 156.05 per 100,000 Bearer Note, and 1.500,55 per 100,000 Bearer Note, on 17th May, 1993 against presentation of Coupon No. 4.

L'nion Bank of Switzerland

London Branch Agent Bank

17th February, 1993

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WOOLWICH - Building Society -

\$100,000,000 Floating rate nates due 1994

Deficit per share

Notice is hereby given that the notes will bear interest at 6.375% per unnum from 18 February 1993 to 18 May 1993 Interest payable on 18 May (1913 will amount to \$155.45 per \$10,000 note and \$1,554.45 ing Shillian more

Agent: Morgan Guaranty Trust Company

JP Worgan

MINISTRY OF PRIVATISATION INVITATION TO NEGOTIATE

REPUBLIC OF POLAND

The Polish Ministry of Privatisation, acting on behalf of the State Treasury in accordance with Article 23 of the Act on Privatisation of State Enterprises dated the 15th of June 1990 ("the Privatisation Act"), issues an Invitation to Negotiate to all suitably qualified partica interested in the purchase of charea in ELEKTROBUDOWA S.A. ("the Company"). The Company is a market leader in the manufacture and installation of industrial electrical systems in Poland.

This invitation is for the purchase of no less than 10% of the share capital and no more then the total share capital less the shares effered to the Company employees pursuant to Article 24 of the Privatisation Act. Up to 20% of shares of the Company shall be effered to the employees of the Company on a preferential hasis in accordance with Article 24 of the

Interested parties should record their interest in writing by the 5th of March 1993. The Ministry of Privatisation reserves the right to extend this deadline, but is under no obligation to consider expression of interest or requests for an Information Memorandum

Upon the receipt of a written expression of interest and subject to the signing of a Confidentiality Agreement, an Information Memorandum will be available to the interested parties and may be obtained from Company Assistance Limited, representative of the Ministry of Privatisation in this transaction, at the address below. The information Momorandum will provide the guidelines and timetable for preparing and submitting a proposal for the purchase of shares in the Company.

All expressions of interest or inquiries regarding this invitation should be addressed to:

Company As	eistance Ltd.
3rd floor	
ul. Podwale	13
00-960 Warm	awa
El-hered	

Attu.: Mr Tuomo Hatakka, Director Mr Zdzislaw Gnat (48) (2) 835 54 06, 635 86 50 (48) (39) 12 08 55

The Ministry of Privatisation reserves the right to reject offers submitted or to modify the privatisation procedure, should this be in the interest of the Ministry or the above company.

LATIN AMERICAN FINANCE AND INVESTMENT SURVEY

On the 29th March 1993 the Financial Times will once again publish an up-dated survey that will take an in-depth look at finance and investment across a region that continues to excite interest amongst international

The survey is times to coincide with the opening of the Inter-American Development Bank meeting in Hamburg at which copies will be distributed to delegates.

To advertise within this survey contact:

Paul Maraviglia Tel: 071-873 3447 Fax: 071-873 3595 or your usual FT representative **Invitation To Tender**

for the purchase of a significant equity interest in **Suez Cement Company**

(Cairo, Egypt) As part of the privatization policy of Egypt, The Cement and Building Materials Holding Company and The

Egyptian International Trade Holding Company (both state owned companies), on behalf of their following affiliates: Tourah Portland Cement Co., Helwan Portland Cement Co., National Cement Co., Alexandria Cement Co., Assist Cement Co., and Misr Foreign Trade Co. ("the Vendors") announces the selling of the Vendors' shares in Suez Cement Company ("SCC"). The Vendors have retained Misr International Bank ("MIBANK") to act as Advisor in the divestiture of these shares. The remaining shares are held by banks, private shareholders and insurance companies. Snez Cement Company
SCC is engaged in manufacturing and selling grey cement and is one of the largest producers in Egypt. It

owns and operates two cement plants, one in Suez and the other in Quattamia (about 30 km east of Cairo). The plants use the dry-process and their nominal production capacities are 1.0 and 1.4 million tons a year, respectively. In 1991, total sales were Egyptian Pounds 238 million (approx. U.S. \$71 million). SCC produces mainly ordinary Portland cement. The Company also owns shares in Suez Bags Co., a manufacturer of cement paper bags, and The Arab Swiss Engineering Co. (ASEC), both of which are

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The shares of SCC are quoted on the Cairo and Alexandria Stock Exchanges. SCC is one of Egypt's largest quoted compar Sale Procedure

Parties interested in potentially acquiring a strategic stake in SCC are invited to contact MIBANK by March 5th, 1993 to register their interest and to receive further information.

MISR INTERNATIONAL BANK Mr MOHAMED OZALP Attn.:

54 El-Betal Ahmed Abd El-Aziz St., Mohandessin, Cairo, Egypt (20-2) 3494424 or 3497091

Financial Advisors to MIBANK for this transaction EGYPTIAN FINANCIAL GROUP

Fax.: (20-2)3489796 or 3498072 22840 or 22841 MIBCA Telex:

February, 1993

REDEMPTION NOTICE

Bergen Bank Yen 2,500,000,000 7% Nikkel-Linked Notes Due 1993

In accordance with the Terms und Conditions of the Notes, the Issuer has elected to redeem the Notes on February, 22, 1993. The re-demption amount for each Ven 100,000,000 principal amount of Notes will be Yen 8,863,633,44.

KORGAN STANLEY INTERNATIONAL

February 22, 1988

DON'T TRAVEL WITHOUT US.

PLACER DOME INC.

ASLK-CGER IFICO USD 85,000,000.~ **Guaranteed Floating** Rate Bonds Due 2000

Notice is hereby given that for the sixth six months interest period from February 23, 1993 to August 23, 1993 the Bonds will carry an interest Rata of 3.7375% per annum.

Interest payable on August 23, 1993 against coupon no 6 will umaunt to USD 157.51 per USD 10,000 Bond and USD

1,879.13 per USD 100,000 Bond

Banque UCL S A AGENT BANK

Notice is hereby given that a regular quartarly dividend, being Dividend No. 23 of six and nne-half cents (61/4) U.S. par Common Share, has been declared payable on March

29, 1993 to shareholders

of record at the close of

DIVIDEND NOTICE

business on March 5, 1993, Shareholders addresses in Canada nr Australia will be paid the equivalent amount in the

currency of the respective country. BY ORDER OF THE BOARD John A. Eckersley Vice-President.

Secretary and

General Chunsel

February 15, 1993

WORLD STOCK MARKETS

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CONFERENCES AND EXHIBITIONS

Monday February 22 1993

OST industries have walked through fire and Ice in the current recession, and the conferences and exhibitions husiness is no exception. But unlike others, there are plausible arguments to suggest that, while uncomfortable for those who have gone out of business, the recession has been a useful maturing process for the surviving organisers of conferences and exhibitions. It has thinned out those with limited ability to offer the full-blooded support increasingly demanded by corporate management, trade fairs and international associations.

Those that have survived and many have - have been tempered by the experience. They have invested in crucial information technology and databases in advance of demand; they have pruned excessive staffing; they have adapted to client demands to organise a conference or exhihition with far less advance notice.

In general, the economic squeeze has sharpened np thinking in a sector which has with justice sometimes been criticised for flaceldity and a failure to match promises with achievements. After all, who has not been tempted into attending an event by Its glossy pre-launch publicity. only to discover on the day that it was not worth the effort? If the recession bas killed that off, it will have provided a service.

It is hard to estimate the current value of the international conference and exhibition business. Too many variables exist for definitive accuracy. The sector covers a broad range of functions - conferences, seminars, conventions, forums, symposiums, meetings - the list of types of function and possible venues is almost end-

Nevertheless, industry estimates calculate the sector may be worth \$40bn annually, with Britain taking around 10 per cent of that pie. About 8,000 major international conferences are staged annually around the world, of which

5,000 are in Europe. The choice of venue is huge and growing, ran internationally distinguished, such as the purpose-bnilt Queen Elizabeth II Conference Centre in the political heart of London - where the 300-seat Mountbatten room, secure against electronic eavesdropping, with multi-lingual simultaneous interpretation, a splendid three-course lunch and plenty of refreshments, will set you hack £5,300 (plus value added tax) a day - to any number of secluded country house hotels, ideal for the private small company annual

general meeting.

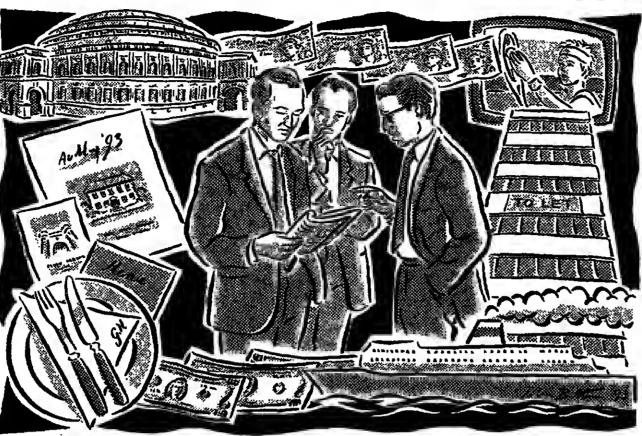
Because the conferences and exhibitions industry crosses so many boundaries - hotels, leisure centres, large publicly quoted groups such as Blenlicim to small organisers working from a spare bedroom - it is almost impossible to establish how many involved in the sector have gone under as a result of the recession. Certainly, the length of many conferences is now shorter, attendances are down and advance bookings happen

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A bigger slice of the cake

The future looks promising for a sector that should grab more of the marketing budgets than in the past, writes Gary Mead

But the blows have largely heen taken in the corporate sector; companies have chosen to spend less on customer-oriented conferences, more on internal, staff-aimed sales and training conferences. Conferences involving international associations bave been less badly affected, since they are normally required by their own statutes to stage regular conferences.

The recession has not had a blanket, bomogeneous effect; in the case of new product launches companies are, if anything, boosting their spending on conferences and exhibieral Motors, will have spent well in excess of Lim on a fivestage event between February and June in the UK. launching a new model, the Corsa, via Spectrum Communications.

The future, nevertheless, looks promising for this sector, not just because the companies

Trade exhibitions

Trade press

Direct mall

Public relations

Don't know

The exhibition as a cost effective medium

68%

58%

12%

44%

you used in the last two years?"

involved in it are themselves given to relentlessly self-promoting optimism, but because the nature of marketing communications is shifting, in ways which favour this sector grabbing a larger share of marketing hudgets than in the

Vauxhall, for example, will achieve the following in its Corsa launch for a relatively

small marketing spend: 16 simultaneous exclusive dinners for dealer principals and their partners; four regional launch venues for dealer principals, their staff, guests and local business users; a multitude of hands-on nationwide training sessions for sales managers and their staff; other launch events at points of sale; and a driving evaluation event at

Which is the best

4%

3%

1%

7%

UK exhibition spending

12%

2%

11%

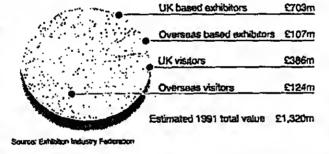
1%

5%

FA145 14%

Italian fashion

preselection



Perhaps the single most important trend within marketing at the moment is the shift away from broadcast to narrow cast means of reaching out to customers. Exhibitions and conferences, if properly organised and publicised, protain way of creating a relationship between seller and buyer. Exhibitions doubled their sbare of marketing spend between 1981 and 1991, from 4.7 to 9.3 per cent, while television advertising stood still (from 26

"Which is the best

4%

1%

3%

1%

2%

rate of 1306 companies in the account half of 1891

medium for your compl knage & PR purposes?

which dealers and guests can try out the new product range. Naturally, Vanzhall will also spend heavily on conventional television and press advertis-

ing, but the most cost-effective marketing for its new product may well be the relatively hidden expenditure, closely targeted on salesforces and key business customers.

difficult to get the attention of customers. Given that, the conference and exhibition husiness has a bead start against other sectors of marketing communications. cast media continues, marketnarrow cast, close targeting exercises should he able to take advantage of a situation where finance directors have learnt to ask of marketing to 26.2 per cent) and national newspapers' share shrunk

departments: "What am I getting for my expenditure?" Certainly, for husiness-to-business marketing, it increasingly makes less sense to lavish fortunes on the high-cos little ohvious return involved in nsing broadcast media. If you want to speak to your customers, build a database and use that to make the customers whom you already have feel important. And from the pro-file of existing customers it is sible to identify and target

(from 16.9 to 14.8 per cent). The

exhibition sector's growth averaged 18.4 per cent a year over that decade.

provide not just crude value-for-money, but added extras to

entice organisers.

Ms Gill Price, commercial director of the QEII conference centre, says: "One potential

exhibitor was interested in

knowing if it would be possible to organise an internal televi-

sion relay of the forthcoming

Wimbledon tennis men's sin-gles' final this coming summer,

so that those who would be

setting up his exhibition at the centre would be able to watch

the match as they worked.

Being able to provide such

extras is increasingly impor-tant if you want to get the

Hotal chains are now

actively marketing themselves as conference venues as well as

tourist destinations. Inter-Con-

tinental Hotels offers a "Euro-pean Meetings Portfolio" guar-anteeing a daily delegate rate fixed until March 31 1994 and a

complimentary room for every 15 booked, across 40 European

Conference centres are

looking at how to make their venues more attractive. For

instance, the NEC at Birming-

ham intends to erect an enter-

tainment village the size of Wembley football pitch to go alongside Ipex '93, the Septem-

ber 7-15 trade show for the

print and graphics industry.

The village, set up by the exhi-

bition company Button Even-tures, part of Reed Interna-

tional, is based on an idea

which has evolved at Cannes

media festivals over the years.

increasingly cluttered by mar-

keting developments and daily more confused by technologi-cal developments in broadcast

media and database manipula-

tion, there is probably only one

certainty: it will become more

As the explosion in broad-

In a commercial world

Venues are doing much to

That is precisely what conferences and exhibitions can offer. And for organisers of conferences and exhibitions one trend stands out the sheer number of available vennes means that would be organisers of events should be able, even when the recession lifts, to demand the very hest in extra facilities, if not the very lowest in prices.

International car and motorcycle

How a speech poisoned the atmosphere

By Michael Skapinker

ANYONE who has spoken at a conference remembers the

The ona lodged in my memory is being bustled out of a hotel rear entrance to avoid being attacked by aggrieved

supermarket managers.
Having discussed speech-making with Ms Cristina Stuart, managing director of Speakeasy, who teaches people how to address meetings, I think I know now why my mishap occurred. I was in too much of a hurry.

The supermarket managers' conference was an angry occasion even before 1 got there. It was a time when hardly a week went by without a food poisoning scare. Mrs Edwina Curria had just resigned from the UK government over her remarks

Supermarket managers had no doubt who was to blame: the press

about salmonella and eggs. The supermarket managers felt besieged and misunderstood. They had no doubt who was to blame for inflaming the situation: the press.

Asked to speak about the press and food retailers, f arrived just a few minutes before my alloted starting time. Had I known how aggrieved the meeting already was, I might have started off hy acknowledging that the snpermarkets' Joh was a difficult one. I might have conceded that public expectations were, to some degree, unrealistic, driven by a desire for preservative-free food which lasts forever, before

pointing out that press interest proper in a democratic society. Instead of which, I launched straight into a defence of newspapers' screamingheadline treatment of salmonella and other issues, pointing ont that joornalists had families just like everyone else and did not want to see

I looked out at rows of set, sullen faces, but it was too late to change tack. When I finally sat down, the nervous chairwoman asked for any questions, thanked me for coming before anyone had a chance to raise a hand, told the assembled throng that tea was waiting outside the conference ball, offered me none, and showed me the way out.

them poisoned.

It is, says, Ms Stuart, a good idea to arrive at the conference venue early, stand up on the stage, look out at the empty seats and imagine them filled The more you feel at ease, the more naturally you will speak. And she could have added, if you sit and listen to the speeches before your turn

to assess the nature and mood of your audience and have a better idea of how to get your

At least the supermarket managers were sufficiently angry to pay attention. The problem with most conference speeches is that hardly anyone listens to them. This is not because the acoustics are poor but because most conference audiences spend their day in a semi-comatose state.

l have never entirely understood wby this should be so. Some conference speakers are dull, but even the mildly interesting ones manage to lose their audiences after the first few sentences. Mr Lee Bowman, chairman

of the Kingstree Group, which also teaches people how to speak in public, says the reason conference audiences fall asleep is that nothing is expected of them.

In everyday conversation the person doing the speaking does not set the pace; it is the person being addressed who determines bow quickly the speaker talks, when be or she pauses, speeds up, slows down, goes back to explain and so on. If we are talking to someone, they tell us by nodding that they have understood, by looking puzzled that they have

not, by appearing bored that we should get a move on. The larger the group, the more diffuse these signals. And at most conferences the speaker has no idea at all what the audience thinks because the lights are dimmed. The darkness is a signal to the audience that no one is going to disturb their peace. They are not going to be asked to participate. If they thought they were, their interest would

Anyone who has been to a live performance by Dame Edna Everage, the crossdressing Australian raconteur,

When the lights are dimmed, the audience can go to sleep

recalls the fear of having questions directed at them and the schadenfreude when she picks on someone else.

Ms Stuart tries to involve ber audiences whenever she can. For the novice speaker, there is the danger of losing one's thread and not being able to find it again. But an audience asked to contribute

seldom sleeps. The other soporific factor at conferences is the slide show. No conference speaker arrives these days without a large selection of slides. The first one might show the speaker's company logo. Subsequent ones might show an entire bal-

Continued on Page 3



Cersaie

International exhibition

Christopher Price considers whether exhibitors get good value from their shows

It's time to be more selective

HOW effective are exhibitions? The latest industry statistics suggest that as the recession has bitten, companies on both sides of the exhibit stand are becoming more selective.

A recent survey hy the Incorporated Society of British Advartisers (ISBA) found that the amount spent hy British companies on trade, technical and consumer exhibitions declined from £549m to £539m in 1992, the first fall in the 20 years the survey has heen conducted.

Examples of the contraction include the oil services industry which has seen the number of exhibitions directed at the sector fall from five to three in the same period. The machine tool husiness has seen around a third less exhibitions. according to one industry executivs, while the ISBA survey suggests expenditure on agricultural shows showed a slide of 32 per cent last year. largely welcomed hy exhibition

past, British exhibition organisers bave not been particularly forthcoming with detailed information about their event," says Mr Reg Best, a director of ISBA. "The result has heen disappointment among both exhibitors and delegates and ultimately in sales. Now it is the wsllorganised and rewarding exhibitions that are surviving

Despite the downturn, companies still rate exhibitions as value for money. The ISBA survey found that 82 per cent of its members considered it as a cost-effective promotional medium. This echoes a similar survey by the Exhibition Marketing Group the previous year. This found exhibitions came second only to the trade press when considering a new product launch, with 24 per cent of those surveyed against 38 per cent preferring it, ahead of direct mail (8 per cent), and newspapers and public

relations (7 per cent each). But as the most effective medium for quality sales leads, trade exhibitions came first with 24 per cent - followed hy ths trade press (23 per cent), sales reps (14 per cent) and direct mail (12 per cent). And as the hest medium for corporate image and public

"it is the well-organised exhibitions that are prospering"

relations purposes, exhibitions

trailed the trade press by 24

per cent to 28 per cent. Mr Alan Bowers, finance director of Fairline Boats, the listed boat builder, is positive about the value of exhibitions. He says that in an industry where it is difficult to compare homogeneous high-value products, the exhibition situation is a good medium. "A high proportion of our turnover is geared to our exhibitions, with

the London Boat Show still the main draw," be says. In addition, there are several other shows in the out-of-season period. He estimates that around one-third of the group's marketing hudget is invested in exhibitions.

While the audience for industries like boat-building can be fairly easily identified, other sectors are not so easily served. New technology industries are rightly recognised by exhibition organisers as growth areas hut nnfortunately these industries are prone to fail to target their

potential huyers. Mr Derek Brown, managing director of Target Automation. an electronics services group, says: "We have literally dozens of potential exhibitions that would possibly be the right ones for our products, as well as several relevant trade magazines - hut only a limited promotional hudget." A former regular exhibitor at around a dozen UK events and two over-

has opted to use more direct mail. "I now know the exhibitions I need to use," he says. Target's dilemma is echoed

hy Mr Peter Reed, marketing manager of Forster Engineering, a Yorkshire-based precision tools maker. "We have grown more selective in our choice of media, and now look very carefully at the exhibi-tions we go to," he says. "The right ones can generate very healthy sales."

But how do companies recognise "the right ones"?

The ISBA says there are hopeful signs. Organisers are providing more detailed information, particularly when pushed, although more still needs to be done. Organisers are reluctant to be too specific over the scope of an exhibition which might restrict atten-

Before attending an exhibition, the association recom-mends the following procedure: 1. Make sure that the exhibi-



tion is independently audited. This will ensure that the information on the previous year's event should be accurate and 2. Insist on an exhibitor and

attendance profile. 3. Make sure the timing and the venue meet requirements.
4. If exhibiting, ensure all staff are properly trained. One of the most common complaints concerns undertrained sales

Another industry dsvelop-

ment over the past two years is that exhibitions no longer go on for so long. The Exhibition Industry Federation estimates that the average length of events has declined from 3.7 to 3.4 days. Exhibitors are also hiring less stand space, so that they are not spending as much. Average expenditure per exhibitor has fallen 15 per cent in real terms over the past two

Perhaps in line with the economic situation, the more

selective approach to events is likely to accelerate before it levels off. Up to 1989, the ISBA survey reported that all companies expected to increase their annual exhibition expenditure. However, last year nearly 20 per cent expected to reduce their outlay.

This year a further 10 per cent say they plan cuts. Nearly 80 per cent expect their budgets to remain the same, an increase of 10 per cent on the previous year.

Kate Bevan looks at the role of the organiser

Making the most of a stand

face a challenge in selling their products, and in a recession the challenge becomes even harder. One popular marketing method is to exhibit at trade fairs and public showcases - but exhibiting is only half the battle.

"At a trade fair every single one of those visitors is there for a purpose - because it is his, or ber, line of husiness. The visitor is already demonstrating an interest by being at the exhibition," says a leading exhibitions organiser.

But there is more to exhibiting than watching visitors collect leaflets and the husiness of turning visitors into sales contacts is itself hig husiness.

There is a lively market in offering back-np services to exhibitors, from advice on how to present a stand to following up contacts after the show is over and halping them to achieve maximum publicity. The higgest of these service providers is Blenheim which, in spite of the recession, saw pre-tax profits rise 31.8 per cent to £37.3m in tha 12 months to the end of August

Blenheim organises exhibi-tions in the UK, US, France, Germany, Sweden, Switzerland, Spain, Italy, the Netherlands and sonth-east Asia; the sectors it covers range from clothing and textiles to information technology.

Organisers say their hasi-ness has been resilient - exhibitions accounted for an estimedia spend in 1991, np from 4.7 per cent in 1981 according to the Exhibition Marketing Group, and some trade press publications complain that the industry is draining their advertising revenue.

"In a recession, exhibitions are one of the most cost-effective ways of reaching customers", says one organiser. The challenge for an exhibi-

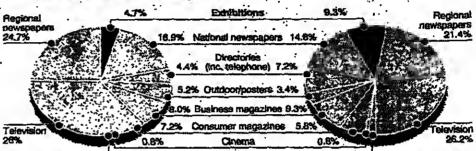
tor is turning visitors into customers. Organisers say that making the visitor feel special is important - they suggest that exhibitors give important potential customers VIP status. At Confex. the exhibition industry's annual showcase, some visitors are given VIP passes to the exhibition which entitles them to use a special husiness lounge with refresh-

ments.
"Exhibitions are value for money," stresses Blenheim. "It's the only medium where yon can have three-dimen-sional advertising - where clients can not only see, hnt touch and feel the product." The appearance of the stand is also important, say organis-

ers. "It's no good taking a hage stand if you've only got a few samples of a small product to display," Blenheim adds. It offers exhibitors at its shows the choice of either taking the space only or of making use of its team of contractors and designers to make the best of their stand.

To get the most ont of the space, organisers suggest running raffles and competitions on the stand, as well as giving away free samples of the prodnct and demonstrations. Blenheim produces an exhib-

itors' guide with advice on everything from where to get plants to how to arrange plumhing and lights. It runs an exhibitors' day for most shows before the event Itself, which are mostly workshop-type sessions on the basics of exhibiting, For Confex, this UK sales and marketing media



1981 lotal estimated media spend: £2,766n

includes sessions on setting objectives for the show, huilding image, focusing on stand design, choice and construction, and the importance of forward planning. But not only the design and

products are important. The professionalism of the people staffing the stand can have a hig impact on visitors. Blenbeim's guidance to exhibitors emphasises that eating and drinking on the stand should be avoided, as should smoking and chatting with friends. Instead, It recommends, set a goal of a certain number of sales contacts every honr; keep an eye on the competition and make sure anything that requires attention is dealt

with immediately. Organisers also stress the ohvious: one should approach potential customers with a friendly smile. "To this end, it's often better to have marketlng people on a stand rather than sales people as you might expect," says Blen-

As well as potential customers, exhibitors will also be dealing with the press, an important source of extra publicity. Blenheim produces a guide for exhibitors on looking after the press, ranging from tips on how to write a press release - alertiog publications to news which may end

is also vital for those consider-

ing staging an exhibition or

conference to plan the objectives carefully. "You need to

know, as an organiser, where

are people coming from, bow

easy is it for them to get to the

venue and how many meeting

1991 total estimated dia spend: £7,592m up as editorial in a publication

and thus attract more visitors - to briefing someone on the stand to deal specifically with press inquiries. A press office is also provided at the venne, the first stop for journalists covering the show. The media is also important

hefore the show, organisers stress. Blenbelm says: "It's important to come to us as soon as possible when you decide to take a stand, Then you can tie in with things like production schedules for magazines so as to get maximum publicity."

To belp exhibitors, Rienbeim also holds a series of one-day seminars on getting the most

out of exhibitions. Such a day includes sessions on promotion and publicity, aimed at beloing exhibitors getting the maximum exposure for their companies; as well as sessions on making the most of the exhibition, including pre-show planning and tips for successful exhibiting. It also may include sessions on capitalising on the event and following np contacts made.

When the show is over, it is not just a case of packing up and going home - organisers can also belp with post-show management.

And the next event should always be on the exhibitor's mind. Blenheim runs a database of 6m names worldwide, helping to maintain contacts with clients and following np sales leads. "At some exhibitions we give each stand a light-pen, and visitors wear bar-coded badges so that when the pen reads the code, the name and details go straight onto the database.

After the show the organiser can put together an analysis of the event, detailing what attracted visitors to it - for attended because they saw an advertisement or from free tickets - belping to plan advertising for the next show.

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The right side of London for an unrivalled meetings location beware of hyperbole.

from trade associations and iournals."

HOW DOES an avid visitor pointed, spend a little time car-rying out adequate pre-plan-

It is equally important to assess in advance what other events are going on around the exhibition as an indication of what extra benefits can be gained. For instance: is there a seminar programme? Are there any technical clinics? Are there opportunities to pre-book special meetings with exhibi-tors? The last is a trend which is growing in US-located exhi-

Ms Cotton believes that the location of a venue is not the best guide to the quality of the exhibition: "You can have a good exhibition in an inferior

select which exhibition to attend and which to avoid? To make sure of not being disapning and research to ascertain precisely what an exhibition or conference offers; do not simply spin a globe in the search for exotic locations, and

According to Ms Vanessa Cotton, a partner in the Event Organisation Company, one of the ways of telling whether an exhibition will be worth visiting is good quality advance literature, "with clear information and some real hard facts, about who is attending and so forth. If the advance brochure is full of pure hype, then I would say: beware. Also, look for support from other organisations. A good exhibition is a bit like a magnet if it's going to deliver lots of stands, then it will generally attract support

A VISITOR'S GUIDE TO EXHIBITIONS Marketing in the aisles

fantastic venues have in the past bosted terrible shows. Much depends on the quality of the organiser and the organiser's long-term commitment to the exhibition."

Ms Diana Amhrose, vice-president of the International Association of Professional Congress Organisers (Iapco), agrees that there are no easily fixed rules about the best choice of venue, either for con-

grow, as advertisers become increasingly wary of spending vast sums for no easily measured return from conven-tional advertising, be it in television or press.

But the industry consensus is that there is no handy guide as to which exhibitions to attend and which to avoid. There are criteria which visitors would be wise to consider before attending any exhibi-tion, which can be summarised

as the halance between the

intangible gains - such as net-

working with competitors, customers and suppliers - and the practical costs of spending

time away from production.
It's at least a day out of your life, maybe more, and you

may just end up walking up and down aisles looking at inferior exhibits; nobody has

really thought huilding in any

more opportunities for you to do husiness. When a show

gives you a cstalogus in

advance of who is going to be exhibiting, that signals it will probably be a good show," says

Ms Amhrose believes that it

An exhibition can give both buyers and sellers one vital ingredient which broadcast advertising generally falls to achieve - personal contact

ference and exhibition organisers or visitors: "People call and ask how hest to arrange a venue, to which the hest response is in turn to ask them 'how do you choose your holi-day?' You look at where you want to go, how much you have to spend and what facili-ties you want when you get

Exhibitions, perhaps even more than conferences, provide a relatively cheap and easy means of keeping a watchful eye on new developments, as well as a chance informally to hump into competitors and customers. Their importance as a marketing tool is likely to

rooms you want. There isn't really a top ten list of best venoes becauss it depends so much on what the event is. "People st a top management meeting may want to cloister themselves in a luxury fivestar country hotel where noone can get to them; they have a different set of venue criteria from an international associa-

tion meeting for 5,000 people." Mr Paul Swan, managing director of Spectrum Commu-nications, snggests that an event venue is often a combi-nation of the pragmatic and the appealing: "International associations tend to choose those venues that have some kind of associated tourist appeal, and those cities which tend to be great tourism cities also tend to be great confer-

"A combination of both is essential; it is vital to have the infrastructure to support the show - you need flights from all over the world, a good range of hotel accommodation. adequate transport around the vanue itself - but you also

need lots of fun things for visiover for the day."

Whatever the pros and cons of trudging round an exhibi-tion, there are a number of factors which suggest that the visitor will have an increasingly wide range of choice. Primarily, the changing nature of marketing communications - a continuing explosion of television, radio and other hroad-

cast media - plus a reluctance of companies and associations to return to the pre-recession days of high spending on conventional advertising, means that all forms of narrow-cast marketing (such as exhibitions) have hecome more attractive.

Traders who put marketing cash into exhibitions can build a database of visitors who, hy

definition, have already shown an interest in their products and services by simply turning up to see what is on offer. For advertisers, the media world is hecoming ever more complex; in 1978 90 per cent of all US television viewing was on the three major networks: now NBC, CBS and ABC combined have about 60 per cent. What advertising, if any, is the missing 30 per cent now watch-

The same pattern is occur-ring with magazines. In the UK there were almost 4,000 consumer and husiness magazines in 1980; a decade later the fig-ure was closer to 7,000.

An exhibition can give both huyers and seilers one vital ingredient which hroadcast advertising generally fails to achieve - personal contact. Competition will get fiercer, in all aspects of business. If any-thing, exhibitions are likely to become even more attractive, with more little extras to tempt the visitor than ever before.

Gary Mead

Egyptian State Tourist Office



As a destination for conferences, Egypt offers the world's finest modern facilities in beautiful, historic locations such as: Cairo, Luxor, Hurghada, Alexandria, Aswan & Taba.

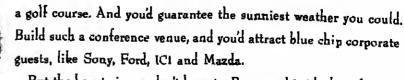
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Malta. Designed to be the conference centre of the Med

If you were to design the Mediterranean's ideal conference destination, you would make sure it was a short flight from most major European cities.

You might even build a new £35 million airport terminal, to greet your guests in style. You'd certainly invest substantial sums in good roads and telecommunications to make sure that everything

You'd probably build 5 star, international hotels to house and pamper your guests. And you'd make sure these hotels had genuine conference facilities, designed for people to do business. Finally, you'd add a rich and diverse culture, complete with historic cities and gourmet cuisine. You might even huild



But the beauty is you don't have to. Because this ideal conference destination already exists: Malta, the heart of the Mediterranean. For more information you can contact The Malta National Tourist Office, Mappin House, 4 Winsley Street, London WIN 7AR Tel: 071-323 0506. Fax: 071-323 9154.



THE ISLAND OF MALTA Conference Capital of the Med.



Starting point for success

of the many variables concerning a conference. How much to spend: how long it should last; what the venue should be; how best to publicise it - all are crucial factors in determining whether or not it will be successful, but any conference organiser requires from a client one basic starting point.

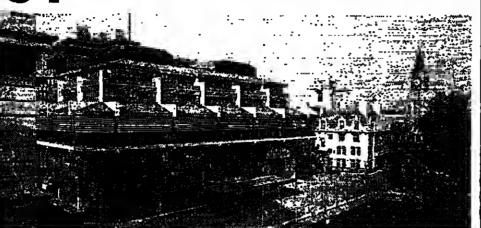
Setting carefully defined objectives and aims to he achieved by the conference or exhibition is an absolute prerequisite for a successful event. According to Mr Paul Swan, managing director of event organizer Spectrum Communications, "there is now almost no capital city that does not have what It terms a convention centre and many secondary capitals such as Birmingham, Edinhurgh or Glasgow, all either have or plan to have good conference centres."

The wide choice of interna-tional venues, with at least 10 conference centres with excellent infrastructural support in the former west Germany alone, means that event organisers can be spoilt for choice and have the opportunity for fine-tuned negotiation over not just price but other services

Moreover, the line between conferences and exhibitions is hlurring; it is increasingly rare to find a conference without some sort of exhibition, and many exhibitions are now offering associated seminars. That development has resulted partly fcom the fact that the sector has suffered from the

"Absolutely loads" of companies in the industry have gone under, according to Mr Swan. "What has happened is that an awful lot of the smaller organisations have gone and there is a move towards the more secure suppliers, and they are all quite busy," he adds. The more casual spending, espe-cially at the euphemistically titled "incentive" end of the market, has stopped, as testified hy empty hotels every-

"It is also tougher to win clients," says Mr Swan, "because



The Oueen Elizabeth II Conference Centre near Westminster in London

pany is in survival mode." The event organisers that are surviving have had to learn some essential businesa lessons These include: huilding solid relationships with their clients; bow to understand their clients' strategic needs; taking a long-term view to maintain quality of service: and being able to compete not just on price but also on giving

value in many different ways. Spectrum and similar companies are investing in efforts to measure the success of what they do, by pre and post-event measurements of retention of the message of events.

Ms Diana Ambrose, managing director of Conference Associates and Services, and vice-president of the International Association of Professional Congress Organisers (lapco), says that when it comes to selecting a conference or exhibition organiser it is vital to "see how long they have been in business. Study their track record. Look at the type of events they have organised, speak to some of their previous clients, even look at their office structure, how it operates. There are 8 lot of companies that appear and dis-appear. Many conferences are now heing planned for two years' time and it is vital to make sure that the organiser

has the financial means to sur-Choosing a venue requires careful planning. If International, then it must be a locarather than being required to do so hy their company, then a line-up of attractive speakers is important.

Making sure that no-one speaks for 20 minutes is a basic rule of thumh, since, as Ms Ambrose puts it, "no-one says anything more in 60 minutes than they can adequately do in half that time." Mr Swan says that it is important to get from the client what the purpose of the event is: "Is this meant to be fun? Is it meant to have very cerebral overtones, in which case we could go to Oxford or Cambridge?

"Some time ago one of our clients had booked one of our favourite venues, the NEC in Birmingham. Then they told us what the show was meant to achieve and we took them instead to Paris. We are hig fans of the NEC hut what our clients were trying to do in overall terms of amblence and feel was best served by Paris, even before we found the individual hotel. "First impressions at an

event are crucial; hy stepping into a luxury hotel in Paris you create a certain feeling. For other types of events, the NEC might be much better. It's a bit like three-dimensional noughts and crosses; you've have got a lot of variables which need to be considered."

Ms Vanessa Cotton of the Event Organisation Company. confirms that thosa eventorganising companies which are marketing-led have not on price, since their own com- with adequate occommodation. only survived the recession but

actually done rather well through it. "Corporate clients are now looking for very visible value for money. A meeting which geoerates a few hundred leads in the form of real people as part of an overall communications campaign has got value stamped all over it, compared to meetings which are just held because they always have been or those where no-one has really thought about wby they

ing - wby they hold an event." It is therefore impossible to define a good conference in any single way. For delegates, it must mean a satisfying experience without hassles over poor accommodation, food, transport and service.

are doing it. People now have

to examine - and are examin-

For those who have spent their money on holding the conference, it must lead to new custom (if the host is a company) or a certainty that any future conferences will maintain or increase attendance (if the host is a trade or other association).

As with any other marketing tool, the only reason for using it is if the response is positive. Two organisations which are able to give advice on organising conferences are:

MThe Association of Aritish Profes MTHE Association of artitle Profes-sional Conference Organisers (ABPCO); Tony Waters (secretary), clo 54 Church Street, Tisbury, Salisbury, Withshire SP3 BMH. Minternational Association of Profes-sional Conference Organisers (IAPCO); Ghislaked de Coninck (executive Secre-tary). Rue Washington 40, 8-1056.

FIERA MILANO:

Speeches and visual aids

Continoed from Page 1 ance sheet or a statement

encapsulating the company's strategy: Target the Ketcbup-Flavonred Yoghurt-Eating Sector.

Slides seldom leave any impression. The only mildly entertaining feature of a conference slide show is when one appears upside-down.

The problem with "visual aids" is that while watching them tha audience is not listening to the speaker. You cannot look and listen at the same time. Ms Stuart likens it to trying to read the newspaper while listening to the radio. Neither makes much

The experts advise selective use of visual aids. For most of the speech, the screen should be hlank. When something does appear on the screen, the speaker should pause, allowing the audience to take in the image. The slide itself should he memorable; a cartoon makes a bigger impression than a set of figures, or a screen filled with words.

The most important barrier to audience attention is that the speaker's personality does not come through. Most speakers are too nervous. They speak too quickly. Many have written out every word of their speech, which they then proceed to read.

There is a vast difference. however, between the written and spoken word. Most written speeches sound tedious when read aloud

Mr Bowman says speakers should try to treat their speeches as enlarged conversationa. If you have a prepared text, depart from it, adding personal asides and reminiscences. Your audience will appreciate it, even if the note-taking journalists do not.

Venues: the choice is becoming more varied, says Bethan Hutton

A world of locations

THERE was a time when conferences were considered an easy source of income by hoteliers and others who found themselves with large halls or bedrooms that would otherwise stand empty. Unwary conference bookers were faced with unreliable service, awkwardly shaped conference rooms and ever-rising charges.

Now, however, conference planners find an industry with high standards and enormons capacity to fill during a recession. Customers can assume venues will be amenable to tough negotiations on price, without withdrawing the extras - high tech audiovisual equipment, notepads and soft drinks at each delegate's place, bairdriers and choco lates in every room - which

The recession bas made many European clients anxious to avoid the appearance of extravagance, according to Ms Sally Greenhill, of conference production specialists Spectrum Communications. Conferences bave become shorter, numbers smaller and locations less lavish, though high standards are still expected for meeting rooms, equipment and service, she says.

Maturing markets also mean that demand for large conferences is levelling off or declining in most of Europe and the US, hat the small meetings sector of the industry, encompassing training, internal management meetings and amail conferences, continues to expand.

On the other side of the world, there is still considershle room for growth in the Asla-Pacific region's conference market. There is already wide choice of large vennes in the region, with another amhltious conference centre due to open in Singapore next year, hat there is space for more hotel development in some of the newly industrialised countries.

Cultural differences mean the Asian market is developing in slightly different ways to the more established American and Enropean markets, says Mr Geoffrey Breeze, of British conference planners vice-president for corporate and intense competition marketing of Hilton International, part of Ladbroke. For example, Japanese companies tend to hold small meetings and training programmes in-house, so clients for Hilton's smaller meeting rooms in Japanese locations are mostly international rather than domestic companies, a reverse

of the usual pattern. The Australian conference industry, with ties to both western and eastern markets, has seen rapid growth recently. In Sydney, 32 four-

Appeal of destination Destination Avarage score Dastination Averaga score Paris Los Angales 8.4 6.3 6.2 6.1 5.8 5.8 5.6 5.7 5.8 5.3 5.3 5.3 5.3 5.3 5.4 4.3 4.2 Hawaii Budapast Hong Kong Edinburgh Copenhage Ganava London Stackholm Monaco Florence 6.9 6.8 6.7 a.7 Dublin Bangkok Luxembourg Marbella Halsinki Barcalona Madrid Dubai Zurich Glasgow

Hotel satisfaction*						
Group	Average score	Group	Average score			
Ciga	7.9†	Pullman/Sofite1	6.a			
Inter-Continental	7.a	Scandic	a. 7			
Hyatt	7.5	Remade	6.6			
ITT Sheraton	7.4	Holiday Inn	6.6			
SAS	7.4	Concorde	6.61			
Meridien	7.3	Forte	6.4			
Marriott	7.3	Penta	6.4			
Hilton Internations	al 7.2	Sol/Mella	a.3t			
Maritim	6.81	Jolly Holels	5.8†			

*Ratings obtained from European meeting planners if swer than 45 responses Source: Official Meeting Facilities Guide (Reed International)

and five-star hotels have opened since the Sydney Con-vention and Exhibition Centre on Darling Harbonr began operations in 1989. But the fast rate at which new accommodation and meeting space has come on line, combined with an economic slowdown, has left the new hotels competing harder for husiness, particnlarly at the international end of the market.

However, Ms Lani Sullivan, sales director of Novotel's Sydney hranch, says the Australian meetings industry has benefited from a government initiative which requires companies to spend 1 per cent of profits on training. Demand for small meeting rooms has

The growing sophistication among meeting-space providers has led some operators to develop niche markets, while others have reacted by hroadening their range.

The De Vere hotel chain, which runs 26 four- and fivestar conference hotels, bas heen forced to keep prices down, but by branching out into golf and other leisure pursults it has raised the average spend by conference delegates, compensating for slimmer profits on core activities.

Ms Janice Eagleson, group sales and marketing manager at De Vere, says that as another recession-surviving measure, the group decided against taking short cuts on quality, and risking the loss of long-standing customers. Instead, it simed to increase

volume. This has meant pointing out competitive rates for small meetings to clients who might normally use the chain only for their higgest events, and cross-marketing leisure hreaks to conference guests, and conferences to single bustness travellers. Hotels no longer insist on separating different categories of guest. One company adopting the

opposite approach is Hayley Enterprises, a subsidiary of AI Exports, the car parts group. Hayley already owned one hotel, but saw a gap in the market for a small, businessoriented conference venne, free from the distractions of holidaymakers and children. Sedgbrook Hall, in 13 acres of grounds near Northampton, was tha result. It opened a year ago, after £5m had been invested in converting the Victorlan country house into meeting rooms, and huilding 8 new wing containing 60 fourstar standard bedrooms, and hotel-type catering facilities.

Sedgbrook Hall's client list is drawn from the top 100 companies, according to Mr Nor-man Belione, its general manager, and the core business is training and management meetings. In its first year the centre bad a turnover of £1.5m. "People have got to communicate with each other, regardless of the fact that there is a recession on. In fact, they have to communicate with each other more," says

He attributes Sedgbrook Hall's success to its provision of a businesslike environment which facilitates communica-

tion and learning. For exam pie, a common request from companies booking rooms for training purposes is for plentiful natural light. Specialist management centres frequently score better on this point than hotels, which have often been designed with evenlng social functions in mind.

British universities have heen used for conferences for porate conference organisers. However, Mrs Carole Formon, general secretary of the Brit-Ish Universities Accommodation Consortium, says that the recession has made companies take another look. "If you hadn't been to a university for 10 years, and you went back now, you would see n tremen-dous difference," she says. The 63 universities and colleges tlum, ranging from former polytechnics to 500-year-old Oxbridge colleges, have all made investments in upgrad-

ing facilities in recent years. Universities still cannot compete with purpose-bullt hotels when it comes to nomarket conferences for a few handred people, hut they do well at two opposite ends of the market: bigh attendance, low budget conferences, and smaller training and management seminar type events.

What other kind of venue could provide meeting rooms, accommodation and catering facilities for several thousand people within walking distance, at an all-in 24 hour rate of £32? Students, as well as conference delegates, are now accustomed to greater creature comforts, and many universities are improving standards

More universities are moving npmarket hy opening year-round management centres for meetings of up to 200 people. Whether purpose-built or converted from country houses, the centres are usually fitted out to at least three-star standard, with sophisticated andiovisual equipment. Unlike most university conference facilities, availability is not limited by the academic timetable. There are at least 30 such centres, with more due to open this year.

Jaded confarence planners. to whom all conference botels are heginning to look alike, might be tempted by a novel meeting package put together hy Stena Sealink, the ferry operator. It offers a one-day conference on hoard a ferry plying the Harwich-Hook of Holland line. Guests go on hoard in the morning, and hy the time the ship sets sail at 11.30am, the conference can be under way in the purpose-built auditorium seating up to 230.

Before disembarking next morning, delegates have the added attraction of stocking up in the ship's duty-free sbop. Rates start at £74 per person for three meals, one night's use of an ontside cabin, and conference room hire.

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MARCH 31

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Vessue: The London Marriott Hotel.

Tel: 071 493 6711 ext. 276.

Contact: Claire Meckins, The Scoon

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Our programme of one-day and half-day ounferences will include specific events presenting our forecasts for: the UK economy; the changing European consumer; lifestyles; technology; regional & local prosperity and changes in media cons Contact. Anna Disley. Tel: 071 353 9961.

LONDON

FEBRUARY 26 The Japanese Economy At A Crossroads? Prospects To 1995 & Global Implications.

A half-day briefing convened by The Royal Institute of International Affairs and The European Institute of Japanese Studies or The Stockholm School of Economics. To be held at Chatham House, London Enquiries: RIIA Conferen

Tel: 071 957 5700. Fax: 071 957 5710. LONDON

MARCH 1

Quality Performance CBL/PERA International conference will provide prectical advice, mola and techniques to enable swift and effective implementation of TQM methods. eakers from Dowty, Pitney Bowes, IBM, Texas Homecare etc. iact: Karen Acton, CBI Conferences Tel: 071 379 7400. Fax: 071 497 3646.

MARCH 2 1993 Financial Accounting Conference

As financial accounting gets more comple management is dealing with issues like the global business environment and single European market. This conference will discuss these issues, new legislative requirements and present accounting applications from leading open systems suppliers. Contact: Clare Walden

LONDON MARCH 2 & 3 Transport in Europe - Creating The Infrastructure For The

Future

Tel: 0734 496400. Fax: 0734 496417.

The conference will examine a broad range of policy issues for liberalising and barmonising transport in Europe, financing infrastructure improvements and the development of pan-European integrated transport systems, Enquiries: Financial Times. Tel: 071 814 9770, Fax: 071 873 3975/3960

MARCH 3 **Buying And Selling Private** Companies

Designed to remove some of the danger from this potential minefield, the Institute of Directors conference will include: planning successful sales/acquisitions; finding attractive huyers/sellers; investigating target companies; valuing the business. Enquiries: Director Conferences. Tel: 071 730 0022 LONDON

LONDON

MARCH 3 Derivatives

Organised by European Business Seminars to examine the intest market trends, developments and opportunities and the implications of tax and regulatory issues. Chaired by Matgan 5 aternational Speakers from Swiss Bank Sulumnn Bruthers, Bankers Trust Company, Arthur Anderson, Clifford Chance, Linklaters & Paines. Contact: EBS. Tel: 071 823 9001. LONDON

MARCH 3 Negotiating in Italy: How To Avoid Being Bound Before You

Sign The Contract Evening seminar no transacting M&A. joint ventures, etc. in Italy. Co-sponsored by Amburst Brown Colombotti and the ritish Italian Law Association. Free admission Contact: Guy Facey/Josanna Andresjewska.

Tel: 071 930 2366. LONDON

MARCH 4 £52.8 Billion Worth Of EC **Funding Opportunities** 1993 EC Budget

With speakers from the Earopean in responsible for the dispersal al the £52.8 billion worth of funding, this London Chamber seminar will focus on those budget lines providing more easily Accessible business oppo to become involved in contracts & senders. Contact, LCCI, My Maung.

LONDON MARCH 4 Polish Business Day

CBI D II conterence designed to provide companies with practical inform specific trading of investment opportunities Programme includes address by Polish Prime Minister and senior Ministers followed by series of specialist workshops. onlact. Nicki Cann. CBI Conferences. Tel: 1171 379 7400. Fax: 071 497 3640.

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This one day conference shows how !.T. departments can successfully menage technological change to meet surrect and likely business aceds. The conference identifies key trends and developments which organisations must consider and esplores how this critical planning process can be best managed.

Contact: Business latelligence. Tel: (18) 544 (830, Fax: 08) 544 9020.

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Contemporary Europe LSE. A series of 12 evening seminars on Contempurary Europe. The seminars are suitable for Diplomats, Civil Servants, Basines» Eaccatives, Journalists and others who wish to improve their understanding of current developments in the European Community. Fee: £475.

Contact. Short Courses Office (Rosalind Tuckert. Tel: 071 955 7227. Fax: 071 955 7676.

MARCH 8 Managing Pay Through Recession And Beyond CBI conference will consider the correct UK pay environment, the practicalities of

pay freezea, new routes to higher productivity, unit labour cost Contact: Karen Acton, CBI Conferences. Tel; 071 379 7400. Fax: 071 497 3646.

LONDON MARCH 8 & 9 **World Pharmaceuticals**

The coaference will consider the challenges facing pharmacentical manufacturers in a changing economi climate, how the industry is responding to the need to balance othics with bus interests and to win both political and public confidence. Enquiries: Financial Times. Tel: 071-814 9770.

Fax: 071-873 3975/3969. LONDON

MARCH 9 Asset Securitisation

Organised by European Gusiness Seminars to address the challenges and ties, pice the latest market and opments. Speakers from Mayer, Brown & Platt, Bankers Trust Compeny, Chemical Investment Bank, Merrill Lynch, Coopers & Lybrand, Clifford Chance, Arthur Andersen. Contact: EBS. Tel: 071 823 9001. LONDON

MARCH 9 & 10 **Profiting From Total Quality** The Intercontinental Hotel, London. How quality companies maintain market leadership and meet the ever-increasing customer demands of the 1990s. Keynote speakere: Sir Bryan Nichnison and Professor John Huckert A Conference Board Europe meeting Conract; Jane Campbell in Brussels.

Tel: 32.2/640.6240. Fax: 32.2/640.6735.

LONDON MARCH 9-11 Managing Integration Of Design To Manufacture

Successful companies highlight how to improve businesa performance and profitability. Key themes are the management and integration af Information during new product introduction. Separate focus each day. Contact: Rod Wardle, Computer Graphics Suppliers' Association Tel: 0905 613236. Fax: 0905 29138. NEC BIRMINGHAM

MARCH 10-11 Know Your Competitors: Competitor Intelligence & Analysis inc. Benchmarking A practical two day seminar/worksho from the UK's No I specialists. Practical

case exercises, successful case studies. Guest speaker who is head of a major company's intelligence unit. Contact: Patricia Donnard, EMP Tel: 071 487 5665, Fax: 071 935 1640. LONDON

MARCH 11 **Constructive Cost Control** Strategies

Organised by Europeao Business Seminars to ideotify how to formulate, implement and manage an effective cost business for the future. Chaired by Stoy Hayward. Spenkers from Coopers & Lybrand, McKenna & Co, National Contact: EBS. Tel: 071 823 9001.

MARCH 11 How To Comply With The Package Travel, Package Holidaya And Package Tour Regulations 1992

The mout compreheasive legal ents ever to affect tour operators, travel agents, ourparate hospitality departments, botels, coach companies Contact: Linds McKay, IBC.

Tel: 071 637 4383. Fax: 071 631 3214. LONDON MARCH 11 Logistics For Corporate

inental Hotel, London essful companies esplain how costeffective production and distribation in the Single Market and beyond gives them a campetitive adventage. Keynote speaker: Jack Edwards, President, Itel Corporation. A Conference Board Europe

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MARCH 11-12 Cost Effective Human Resource Management Four 1/2 day seminars to improve valce for money, quality, corporate impact, selling skills of the Personnel/HR function. For Chief Executives, and Senior Personnel professional The APAC benchmarking approach used by one in 15 sectors of the eco is explained. £90 (1/2 dayl £160 (full day) Contact: Margaret McCaskic.

Tel: 071 242 3665. Fax: 071 242 3885. LONDON MARCH 15 **EIS And External Information** This one day conference explores the potential of LT. to radically improve the

process of enflecting, analysing and sharing external basiness information. How EIS and related systems can improve the quality, scope and relevance of this apirmician. Contact: Business Intelligence.

Tel: 081 544 1830. Fax: 081 544 9020. MARCH 15 & 16

The European Water Industry This high-level farum will look at longterm pinspects for the industry, nental legislation and the cost of raising standard. Russian and Eastern Europeaa appraiches to water management will be assessed as well as acing future industry investment. Enquiries: Financial Times. Tel: 071-914 9770

Fax: 071-873 3975/3969,

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MARCH 17-18 Introduction To Options Course - Parts 1 & 2 Day 1: Basic Terminalngy, Option Pricing, Trading & Hedging Strategies.

Day 2: Valatility, Advanced Trading Strategics, Portfolio Managem

Venue: Cambridge Science Park, £345 | I day only), £595 (both days). Contact: Kathy Page, Brady Financial Tel: (0223) 423250.

CAMBRIDGE MARCH 18 Pay & File

Grganised by European Business Seminars to explain what companies need to know about the new tules for the assessment and enlication of corporate tax. Chaired by Moores Rowland. peakers from Price Waterhouse, Ernst & Young, BDO Binder Haralyn, Coopers & Lybrand, McGrigor Donald Contact; EBS, Tel: U71 823 9001.

GLASGOW MARCH 18 The New Electricity Market: Challenges And Opportunities An essential day for all executives who will be affected by how energy policy develops vis-a-vis electricity, whether as large electricity consumers, plant constructors, generators funnciers, or regional electricity distributors. Venue: The London Marriott Hotel. Contact: Claire Meckins, The Economist

Tel: 071 493 6711 ext. 276. LONDON

MARCH 18-19 Geographic Information Systems: Mapping Business For The Future

GIS are emerging from their cartological niche, into the domain of mainstream ess tools. This seminar investigates the wealth of opportunides arising from these new applications. ontact: Unicom.

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The effective management of custome information as a strategic resource is the key dimension of marketing in the 1990's. Top level speakers diacuss latest ques and technology. Contact: Unicom Tel: 0895 256484. Fax: 0895 813095.

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ondon School of Economics. One day conference. The conference is suitable for professional regulators and those directly ar indirectly affected by regulatory regimes. Fee: £200. Contact: LSE Short Courses Office, on Street, London WCZA JAE Tel: 071 955 7227. Fax: 071 955 7676.

MARCH 19 Towards An Integrated European Capital Market What are the weaknesses and how can they best be remedied? What role, if any, could be played by an independent European Regulatory Agency? Keynote speakers: Sir Leon Brittan, Dr. Breuer, M. Fleuriot, Lord Howe, Dick Taverne. Contact: Federal Trust,

Tel: 071 259 9990. Fax: 071 259 9505. LONDON MARCH 22

Machinery VAT Seminar Processing & Packaging Muchinary Association (PPMA) in association with KPMG Peat Marwick are holding a VAT ninar covering the changes in rules for machinery manufacturers and suppliers brought about by the Single European

PPMA Members £75.00. Others £95.00. To book contact: PPMA. Tel: 081 681 8226. Fax: 081 681 1641.

MARCH 22-24 The Pan-European Golf Course Conference Operations * Maintenance * Valuation

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MARCH 23-24 Castings & Forgings 93 **Exhibition and Conference** The only specialist show for buyers and specifiers of cast and forged products. St

Jahus Swallow Hotel, Solibull, West Midlands. Far free admission tickets enntaet; Loriaine Rogers, FMJ International Publications Ltd. Tel: 0737 768611. Fax: 0737 761685.

SOLIHULL MARCH 23 & 24

The Food & Drink Industry MARCH 31 The aim of this year's meeting is to Just-In-Time Partnerships provide a high-level forum to discuss cirategies fat future growth, look at the structural changes taking place and discuss relatinuships between rers, retailers and consu manafactu Enquiries: Financial Times. Tel: 071 814 9770. Fax: 071 873 3875/3969

LONDON MARCH 23-26 Total Quality Management: The Right Way To Manage

William E Comway

Bill Conway, the first Western CEO to implement the Deming philosophy in the West, will present his Right Way Tu Manage Seminar. People of all levels can learn from his knowledge and turn philosophy into practice, Contact: Mike Gallimore & Associates Ltd. Tel: (0621) 858058, Fax: [062] | 850972,

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MARCH 24 Base & Precious Metals Options Course

isive one-day course covering various aspects of the Base & Precious Metals Optiona Markets: Treding Strategies, Backwardations, Pricing Models, Hedging, Volatility Exposure & Time Decay. Venue: Cambridge Science Park, Cambridge, £345 (1 day only), £595 (both days). Contact: Kathy Page, Bredy Financial Seminars. Tel: 102231 423250, CAMBRIDGE

MARCH 24-26 The Second World Coal Institute Conference: Coal For

Major international event for enal producing and using industry worldwide; financial, legal, environmental issues; coal technologies: importance of enal to Contact: The Event Organisation Company. Tel: 071 228 9034.

LONDON MARCH 25 Developing An I.T. Strategy For Marketing

This one day conference shows how to develop a coordinated strategy to transform the effectiveness of sales and marketing through the use of I.T. II explores practical management issues which need to be resolved in order that companies can make a creative use of

Contact: Business Intelligence. Tel: 081 544 1830. Fax: 081 544 9020.

LONDON MARCH 25-26 How To Assess The Risk Of

Doing Business A Iwo day workshop aimed at business essionals requiring a sound working wledge of what financial statements can reveal and the danger signs to watch for outside of the balance sheet. Fccs: £250. Contact: Alison Sanger, Graydon TCS. Tel: 0483 751011.

BRACKNELL

Fax: 0483 750115.

MARCH 30 Strategic Alliances Conference Alliances are back un the Enropean agenda, but the risks are formidable must have clear objectives, find the right partner and invest time in managing the rlatiouship. Cases from Mercury, DHL Olivetti, Rover and United Distill ions Monthly. Tel: 071 823 8740.

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senior management with a review of IT strategies via discussion and case studies. Contact: Unicom. Tel: 0895 256484. Fax: 0895 g L3095 LONDON

MARCH 30-31 Management Tools And The Project Support Office Cased on the recent survey of project planning and support tools, this seminar provides detailed information and practical advice on the effec to managing IT projects through the Project Support Office. Contact: Unicom Tel: 0895 256484

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national two-day conference will examine n wide range of domestic and international relocation issues. Contact: Natalic Munden, CBL Centre Tel: 071 397 7400.

TELFORD MARCH 30-31 Using EDI For Business Success in The 1990's The speakers in this seminar present user case studies domnustrating that major companies are realizing the full benefit of ED1. Building on the experience of these organisations, this seminat offers o

practical guide to EDI exploitari

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1993 Conference Views and eapors methods from an ational field of technical analysis. An exhibition demonstrating the latest analytical computer syste Contact: The Member

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give their views of brand position, product Europe and Eastern Europe. For further information contact: The Economist Conferer

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Renowned American executive speak and consultant on JIT concepts and implementations, TOM, Porchasing, for everyone involved in the process of loveotury, Materiala. Management Functions. Public Seminars, In-House Conferences an JIT and Total Quality Movement. Consulting Assignments -has extensive experience in-Plant training. Contact: Poter Barnes, Infornatics. Contact: Frank Lane. Tel: 021 705 2913. Fax: 0789 730219.

LONDON **APRIL 22-23** MARCH 31 - APRIL 2 Emerging Markets/ Restructuring The Energy Industries Of East Europe And The Former USSR Eighth Annual PlanEcon, DRI/McGraw from the region, fund managers, nil executives, and noted expens.

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Tel: 081-545-6212,

Cuba Key government officials & into sperts, including Ernesta Melendez Bachs, President of the State Con-& Sir Edward Heath, will tell delegates about Caba's potential & the practical aspects of doing business there.
Contact: Karen Pedersen, Enror Fax: 071 779 8835.

LONDON APRIL 2 Access To Environmental Information

Major international conference an Directive 90/313/EEC arganised by Friends of the Earth with European Commission support. Focus on practical implementation into national law. Speakers from the UK and elsewhere in Earope include lawyers, regulators, matives from industry and Friends of the Earth. Enquines: Sibylle Grobs.

Tel: 071 490 1555. Fax: 071 251 0818. LONDON APRIL 2

Off Balance Sheet Finance And Capital Instruments Action Required By The ASB Proposals. Essential for floance directors, chief accountants, auditors, analysts, bankers, lawyers. Speakers from Ernst & Young. KPMG, Arthur Anderson, Touche Ross, Salomon Brothers, MAP Fand Managers, Cooper & Lybrand. Contact: Athina Peters, IBC. Tel: 071 637 4583.

Fax: 071 631 3214. LONDON APRIL 5 - MAY 24

FT City Course The course is designed for employees of companies with interests in the City. Its objectives are to provide a broader understanding of all aspects of the operations of the City and the factors that make it a pre-eminent financial and trading centre. Enquiries: Financial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969,

APRIL 20

Tel: 071 637 2311.

Fax: 071 580 6991

LONDON Acquiring And Divesting **Unquoted Companies** Scantic Crown Hotel, Victoria Landon Guidance on how to stay clear of the minefields from Barrie Pearson of

Contact: Evanua Morris, CIMA LONDON

APRIL 20 Fuels For Power Generation Major energy players will outline current and future directions for the power industry lo the UK. FPG covers the energy spectram rether than a narrow view of one industry and offers delegates the opportunity for open debate. Contact: The Institute of Energy. Fax: 071 580 4420

LONDON **APRIL 20-21** Economic Briefing For Directors And Senior Managers An opportunity to increase awares ousiness issues in today's eco This interactive seminar will focus on: Prospects for the UK; Challenges for Europe; The financial world; Glubal trading relationships; and Events in USA Contact: Dr Joseph Nellis, Cranfield

CRANFIELD APRIL 21 Japanese Management

School of Management.

Tel: 0234 751 122

Chelsea Hotel, London. Lessons for the west in how Japanese management accounting supports the efficient and successful muning of the Japanese firm. Contact: Evanna Morris, CIMA Tel: 071 637 2311. Fax: 071 580 6991.

LONDON Repetitive Strain injury **APRIL 22** Following two successful of Society Of Technical Analysts Law and the Treatment of RSL Contact: Caroline Elliott, Charter

Haagen-Dazs, Sandoz Pharmaceuticals, Mercury, Laura Ashley, and Gulaness va corporate brands, and valuation in Tel: 071 493 6711. Fax: 071 931 0228.

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LONDON **APRIL 25-27** European Enterprise Computing Conference Sponsored by Apple Computer Europe.

A major international conference design to provide IT professionals with a

framework for building information systems in the '90s and beyond. Speakers from Apple. Oracle, Lotus and Onrine Group discuss client/server computing. IT costs/benefits and systems integrat Contact: The Event Organisation Company. Tel: 071 228 8034, Fax: 071 924 1790. LONDON APRIL 26

Downsizing iT: The Management Issues This one day conference looks beyond the technical aspects of maving from maintrame to micros to the organisational, managerial and effectiveness dimensions of successful downsizing. Contact: Business Intellige Tel: 081 544 1830. Fax: 081 544 9020,

LONDON **APRIL 26-27** Keeping Winners - Marketing To And Managing Major Accounts

The most dynamic seminar you will ever attend. Alsu avallable as an un-site presentation. Contact: Louise Knight, Frost & Sullivan Tel: 071 730 3438, Fax: 071 873 9962 LONDON

APRIL 27 Tax & Accounting Treatment Of Currency Transactions A complete update on the radical new legislation affecting equitable taxation of fotelgn exchange gains and lusses. Speakers includer Stephen Edge and Jain Ahrahams of Slaughter & May; Eric Tomsett, Tonche Ross; and Emma Lubbock of Price Waterho

Contact: Sarah Avian, IBC Legal Studies

and Services Ltd.

Tel: 0895 256484.

Fax: 0895 81 3005

Tel: 071 637 4383. Fax: 071 631 3214. LONDON APRIL 27-29 The Commercial Dimensions Of Parallel Computing This seminar reviews the state-of-the-art io High Performance Computing. Top European and US speakers from industry and academin discuss: parallel softwar strategies, tools for profiling, monitoring and visualisation; business applicati (with major case studies). Contact: Unicom.

LONDON **APRIL 28 & 29** Financial Innovation - New Directions For The 90s This high-level forum will review nts in financial innovation in a ried of low growth and low laBation Enquiries: Financial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969

MAY 5 Can Europe Meet The Global Challenge? Post-1992 World The RIIA and The Straregic Planning Society present an international conference which examines the nun simaltaneous ebaugea European oumpanies must muster in order to get through the 1990s successfully. Details: Jo Mainee, The Stra

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The implementation of the EC's Capital Adequacy and Investment Services directives, the future structure of European equity and bond markets, the needs no sational companies in raising equity and debt finance will be discussed. Enquiries: Forancial Times. Tel: 071 814 9770. Fax: 071 873 3975/3969. LONDON

Tel: 071 636 7737.

MAY 14 this controversial subject, the topics for discussion will be: Upper Limb Disorder and Ergonomics, New EEC Health and Safety Legislations, Scottish and English Tel: 071 606 2435. Fax: 071 606 2351.

MAY 16-18 Excellence in Strategic

Management Turnberry Hotel, Aveshire, Scotland. A residential briefing organised by IBC and SDG exclusively for senior executives with significant strategy responsibility. Limited to 29 places. Price £1995. Contact: Rury Ross-Russell, IBC. Tel: 07| 637 4383. AYRSHIRE

MAY 20-21 Pension Practice And

Employment Law An explanation for the businessman of:nonitoring pension funds, equalisation of pension ages, Goode Committee: EC directives, sexual harassment, maternily policies, and employee benefits.

Contact: Caroline Carter, Euromoney. Tel: 071 779 8793, Fax: 071 779 8795.

LONDON MAY 24-25 Oil & Gas Transport And Security in The Former USSR A detailed assessment of the structure introl, economies and politics of the PSU's energy transportation infrastructure pipelines, rallways, waterways, roeds! Co-bosted by Transmell, Gazproni, Kazakh ries of Paci-Energy and of Transport, and Russian Foreign Policy Foundation. Contact: Europe Energy Environment. Tel: 071 493 4918. Fax: 071 355 1415.

MAY 25-26 1993 European Information Management Conference Strategies for re-engineering business information processes and applying

quality principles in IT. A Conference oard and Coopers & Lybrand meeting. The Intercontinental Hotel, London. Contact: Jane Campbell in Brussels. Tel: 32,2/640,62,40. Fax: 32.2/640.67.35. LONDON JUNE 11

Gary Hamel: Competing For The Future, A New Strategy Paradigm Gary Hamel, one of the most respected business experts in the world, will outline what a company must do to position itself for industry leadership in the year 2000 and beyond Venue: The London Marrian Hotel,

Connet: Claire Meekins, The Economist

Tel: 071 493 6711 est. 276, LONDON JUNE 15-17 Conventions & Events An exciting new exhibition by the industry for the industry. Organised in association with the Bitmingham Convectino and Visitor Burgan, the event focuses on hotel & conference venues, exhibitions, tourist offices, hanqueling facilities, incentive

for the conventions and events market. Contact: John McGinnell, Centre Tel: 021 780414 (Ext 2413).

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BIRMINGHAM JUNE 23 Matching Corporate Choice & Legal Practice Internationally Do you need to know how in companies like ICI, ABB, Eurotunoci, Citibank, Undever manage relations with law firms? 30% of time fur delegate questions on litigation, billing, client care, and international referrals. International Corporate Law.

LONDON JUNE 28 - AUGUST 6 London School Of Economics The LSE is offering a selection of intension and examined three week summer courses In the areas of International Studies. Philnaophy. Criminalogy and Management. Suitable for those in private and public sectors secking to update or expand existing expertise Contact: Nicola Meakin, LSE, Hought Street, London WC2A 2AE Tel: 071 955 7533. Fax: 071 955 7675.

Tel: 071 779 5534.

LONDON JULY 9 Raiph Killman: Corporate Culture Change - How To Manage 'Beyond The Quick Flx' Repeated due to demand. Learn how to stand culture, how to manage it and why h is the key driving force and energy ind all efforts at organisa Contact: Fiona Pink, The Economist

Tel: 071 493 7611. Fax: 071 931 0228. LONDON SEPTEMBER 20 Repetitive Strain injury subject which affects both blue and white colleg employees and employers. An update on the laws for both plaintiff and defendants, the new health and safety legislation and managing RSI in the work Contact: Caroline Elliott, Charter Tel: 071 606 2435. Fax: 071 606 2351,

GLASGOW INTERNATIONAL MARCH 2 Europe's Motor Industry: etitive Challenge To The

Year 2000 Speakers to include: Paolo Cantarella. Fiat Anjo, Holy: Keith Butler-Wheelbouse, Sanh Automobile, Sweden; Dieter Zetsche, Mercedes-Benz, Germany. For further information contact; Fions Plak, The Economist Confe-Tel: 071 493 6711. Fax: 071 931 0228.

European Business Information Conference & Exhibition Information is key to making business decisions. This conference and exhibition is for those researchers and information specialists responsible for tracing business, company and financial information in Europe. Senior delegates from Europe and US.

Contact: Jenny Perry, TFPL Ltd.

Tel: 071 251 5522.

Fax: 071 251 8318.

MARCH 10-12

BARCELONA

MARCH 11

EC Romania Business Forum Un-to-date intelligence on industrial and commercial opportunities in Romania for 41° companies. Top speakers from Romanian Government and Ministres, EC Commission and EC industry. Organiscal by EC Communication Contact: Societe Generale de Developormem SA Tel: +32.2.512.4636. Fax. +32 2 512 4653.

BRUSSELS

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Tel: 081 545 6212. FRANKFURT **MARCH 16-18** International Gaming Business Exposition (IGBE) Europa '93 IGBL Europa "13 is the only major European exhibition exclusively for the castan gaming industry. IGBE Europa showcrases all major products and services of importance to the casino. Special events will be held, Contact: Fideen & Band Phone (USA) (203) 852-05(a), ext. 107.

Fax (USA): (203): 838-3710 MONACO MARCH 19 European Human Resources & Personnel Management This conference explores the development of persuanel and burnao resoutces stretegies le the Single Market and beyond. Speakers include the personnel director of British Nuclear Fuels and the head of persuance at the Enrapean

Contact: Lucinda Hallan, Rowlands International. Tel: 13521463357. LUXEMBOURG

APRIL 28-29 Asset Securitisation in The Nordic Countries Key government officials and international experts will look at the potential use of securitisation and explain the practiculities for corporates, banks, 198 meestors and intermediaries. Contact; Suc Gidding, Enroponcy.

Tel; 1971 779 8830, Fax: 071 779 8R35. STOCKHOLM 434.4

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APRIL 28-29 Black Sea Oll & Gas: **Emerging Opportunities** The first public international forum on the Central Asian and South-East European oll and gas industries, with senior delegations from the entire region. Hosted by Marmaca Bank and Europe Energy Environment,

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Tel: 071 493 4918. Fax: 071 355 1415 ISTANBUL

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Contact: Caroline Carter, Euromoney Tel: +44 71 779 8703 Fax: +44 71 779 8705 DUSSELDORF Distressed Commercial Rea Estate Assets: Strategies During this two-day seminar experts a gaveroment afficials examine the opportouities for organisations to turn non-performing commercial real estate sans and other assets into cash. Tel: 071 779 8833.

Fax: 071 779 8835. NEW YORK JUNE 3-4 The International Tax Review Presents The 3rd International Tax Planning Conference The George V Hotel, Paris. The ITPC is rastional event for identifying new ies in the tax industry The afficial meeting place for tax For further details contact: Paula Blay. Tel: +44 +71 779 8763.

JUNE 14 & 15 Multinational Corporate Tax Strategy in Europe A confarance to uxamine advanced hniques for tax efficient planning in multinational corpotate transactions: transfer pricing, reconstructions, financing techniques and treusury management. Spenkers represented from lending creational accountants and tax firms. Contact: Vickl Goffin, IBC Legal Studies and Services Limited. Tel: 071 637 4383. Fex: 071 631 3214.

JUNE 17 Finance Forum Making aequiaitions and exercising financial controla over furelga subsidiaries: leading financial executives share their expertise and experiences. A Cnaference Board management foram hosted by Credit Stringe. Contact: Jane Campbell in Brusecks, Tel: 32.2/640.62.40 Fax: 32.2/640.67.35. ZÜRICH

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CURRENCIES, MONEY AND CAPITAL

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on the Yen

CONCERN over the Yen ahead of Saturday's meeting of the Group of Seven finance ministers and central bank governors is expected to be one of the focal points for financial markets this week, writes Peter

The conference will be the first of the G7 policymakers since President Clinton took office on Jaouary 20. It is expected to examine ways to help the world economy and particularly to rein in Japan's soaring trade surplus.

Press meetings given by the Japanese finance and economic planning ministers oo Tuesday and Friday will offer clues to the path the G7 meeting will take

The fall in German M3 money supply announced on Friday and comments by Mr Alan Greenspan, the chairman of the Fed, are also likely to act as financial market motors.

Most economists have seen Germany's 2.3 per cent contraction in money supply as a technical correction the result of rebasing the figures on the fourth quarter of last year

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STERLING INDEX

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Feb 19

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Feb 19

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However, some still argue t	hat
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monetary policy some ti	me
after the next Bundesba	юk

meeting on March 4.
On the other hand the comments made in Mr Greenspan's testimony to Congress sig-nalled a tightening of monetary policy. At the very least it removed the possibility of eas-ing rates, a threat which has hit the US currency in the past

week.
Mr David Deakin, the economist for Nikko Bank says: "If German rates are likely to fall and if the American rates are less likely to fall the dollar/ D-Mark is likely to rise."

Meanwhile, the market will continue to watch the perfor-mance of the Spanish peseta and the Swedish Krona which have been propped up by intervention from their respective central banks.

In the UK, money is expected to be tighter this week as a result of a large amount of short term loans expiring and needing to be rolled over.

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OTHER CURRENCIES

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Feb 19

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Feb 19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
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	MONEY	RATES				
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NEW YORK		Treasury Bills and Bonds							
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Feb 19	Overnight	7 days notice	Allon1b	Months	Six Mouths	Yes
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Local Authority Deps.	53. 1	6	22	17	35	- 31
Local Authority Bonds	53,	<u> </u>	- ·			
Discount Mkt Deps	53	6	~	- 1	- 1	-
Company Deposits	1	- :	-	-	-	_
Finance House Deposit	s -	_	636	636	53	52
Treasury Bills (Boy) Bank Gills (Boy)	:		61 ₈ 51 ₄	61s 55s 55s	57	-
Fine Trade Clis (Buy)	:1 = 1			>93		_
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SDR Linked Dep. Offer		-	56	5%	54	3.3 51 51 61
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Bank Bills (Bry)	- 1	1111	2 - 22 - 24	51 67-2-3-44 3-5-5-3-44	51 16 50 60 51 50 50 60 51 50 50 60 51 50 60 50 60	3.37 51 ₃ 5 63 ₄ 61 ₂
ECU Linked Dep. Cld Treasury Bills (sell); one-m tender rate of discount 5.	onth 58 pe	r cont: thre	ee months 5	g per cent;	si 4 months ! Treasury 6	5.2 per cent;
29,1993 Agreed rates! Schemes II & III: 8.20 p Scheme IV&V: 7.0 p.c. L fixed. Fixance Houses Ba bi; Deposit £100,000 and three-six months 5 per ce	for period Fi c. Referent ocal Author ise Rate 71 ₂	ebroary 24, be rate for p ity and Fina from Febru	1993 to Ma period Japus Ince Houses s ary 1 . 1993	rch 23, , 19 ary 1, 1993 even days' R : Certificati	93, Scheme to January tolice, other as of Tax De	1: 8.32 p.c. 29 , 1993, s seven days posit (Serior

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

ATIONAL AND REGIONAL MARKETS			FRIO	Y FEBR	UARY 19	1993				URSDAY	PEBRU/	U(Y 18 1:	-		LAR IND	EX
igures in paronihosos how number of lines d stock	US Dollar Index	% chg (\$) since 31/12/92	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/92	Gross Div. Yield	US Dollar Index	Pound Starting Index	Yen Index	OM Index	Local Currency Index	1992/93 High	1982/93 Low	Ago (appro:
\uovalia (68)	128.28	+ 2.5	130.89	96.58	109.11	123.95	+24	3.97	129.32	132.84	97.73	109.83	125.15	153,68	108.18	144.9
	145.13	+ 3.5	148.09	109.27	123.44	123.37	+5.1	1.82	144.22	147.92	108.99	122.48	123.40	186.70	131.16	
Sekrum (42)	141.31	+ 6.1	144.19	106.38	120.19	117.44	+ 7.5	5.14	140.84	144.48	109.43	119.61	117.05	152.27	131.19	
anada (113)	116.75	+ 2.7	121,17	89.40	101.00	108.05	+ 1.5	3.05	117.61	120.83	89.02	100.04	107.44	142.12	111.36	134
	206.23	+ 10.8	210.42	155.26	175.40	175.51	+ 10.5	1.56	206.17	211.46	155.80	175.09	175.25	273,94	181.70	248
inland (231	69.70	+0.1	71.12	52.48	59.29	86.02	+ 12.6	1.68	68.33	70.09	51.64	58.03	84.68	89,80	52.84	87
rance (98)	155.10	+5.4	158.26	116.76	131.91	134.79	+ 5.7	3.33	154.33	158.29	116.62	131.05	133.83	168.75	136.93	153
	112.60	+8.2	114.89	84.79	95.77	95.77	+ 9.3	2.38	112.47	115.38	85.00	95 .51	95.51	129.69	101.59	117
SCHOOL STATE OF STATE	247.38	+ 11.7	252.43	186.25	210.43	245.60	+11.5	3.88	249.05	255.45	188.21	211.52	247.20	262,28	176.36	196
initial trail trail	132.04	- 2.6	134 73	99.41	112.30	124.57	+5.7	4.26	131.68	135.06	99.51	111.83	123.99	173.71	122.98	162
Cimila Lini	59.45	+8.3	60.66	44.75	50.56	69.68	+15.4	2.97	80,21	81.76	45.50	51.13	69.99	36,06	47 .47	75
taly (751	108 95	+ 3.7	111.16	82 02	92.68	82.02	- 1.1	1.01	108.45	111.24	81.96	92.12	81.96	140.95	87.27	116
in participant of the second	268 98	+ 2.9	274.46	202.50	228.76	272.14	+3.3	2.46	267.68	274.55	202.28	227.32	270.98	282.42	212.49	249
lalaysiu (69)	200 30			1108 47	1252.32	4980.73	-11.4		1489,14	1527.35	1125.34	1264.66	5036.67	1789.77	1185.84	1694
fexico (18) 1	4/2.30		162.05	119.57	135.09	133,45	+6.2	4.26	158.18	162.22	119.52	134,32	132.79	169,70	147.88	150
	158.82	+4.9	45.33	33.45	37.79	45.69	+3.1	4.79	44.92	48.07	33.95	38.15	46.24	48.52	37.39	44
low Zealand (13)	44.43	+ 3.6			120.55	133.51	+ 3.3	1.87	141.21	144.83	108.71	116.92	133.35	192.95	128 05	183
	141.73	+ 2.9	144.62	106.70		166.36	+3.1	1.98	220.20	225.84	166.40	187.00	166.57	229.63	179.85	221
	219.58	+ 2.9	224.05	185.31	186.76				166.41	170.66	125.76	141.32	187.67	263.80	134.21	221
outh Africa (60)	170 60	+ 15 2	174.07	128 43	145.10	168.26	+7.1	3.01				107.22	112.05	161.72	107.10	153
pain (47)	125.92	+ 8.0	128.48	84.80	107.10	111.85	+ 10.5	5.44	126.26	129.50	95.41					174
weden (36)	163 57	~ 1.2	166.90	123.15	139.13	182.95	+5.5	2.18	162.19	166.35	122.57	137.74	181.16	200.28	149.69	
	112.43	-0.5	114.72	84.65	95.64	105.11	+2.4	2.03	112.91	115.80	85.33	95.90	105.63	122.37	95.99	95
	166 64	- 3.3	170.04	125.44	141.72	170.04	+0.7	4.33	165.80	169.85	125.13	140.62	169.85	200,07	161.86	177
	177.23	- 0.5	180.84	133.43	150.75	177.23	- 0.5	2.85	176.29	180.82	133 <i>.2</i> 3	149.73	176.29	183.74	160.92	167
Gre (DEE).			140 67	104.01	117.51	130,52	+4.5	3.59	137,72	141.26	104.06	116.97	130,28	156.68	131.31	144
	138.16	+ 1.6		113.81	128.58	148.70	+6.6	1.96	150.11	153.96	113.44	127.48	147.57	188.52	141.24	173
	151 16	+ 1.9	154.25		97.10	88.29	- 0.1	1.35	113.79	116.71	85.99	96.64	88.30	141.97	93.70	122
	114.15	+4.1	116.48	85.94		105.02			123.46	126.63	93.29	104.84	104.94	145.21	113 80	131
uro · Pacific (1494)	123.85	+ 29	126.38	93.24	105.34		+20	2.37				146.95	171.62	179.56	158.70	165
orth America (635)	173 59	-04	1,7.13	130.70	147.65	172.53	-0.4	2.86	172.66	177.09	130.49					124
urope Ex UK (553)	120.27	+ 5.1	122.72	90.57	102.32	108.49	+ 7.3	3.06	120.15	123.23	90.82	102.06	106.23	132.98	111.33	
	165.26	+6.1	166.63	124 44	140.58	153.10	+6.2	3.50	166.15	170.41	125.58	141.12	153.99	175.31	146.06	158
	125.01	+ 2.9	127.55	94.12	106.33	107.02	+ 1.6	2.39	124.57	127.79	94.14	105.79	106.93	146.91	115.99	133
	139.27	+20	142.10	104.85	116.46	124.56	+0.6	2.39	138.71	142.27	104.83	117.61	124.20	150.58	127 21	140
	141.55	1 1.4	144,44	106.58	120.41	128.16	+0.6	2,58	140.98	144.60	106.55	116.74	127.83	153.05	130.04	143
IDIAL CK. OU. Ch. ICIT.	160 29	+07	163 55	120.68	136.35	155.74	T 1.5	3.13	159.62	163,72	120.64	135.58	155.21	165,40	151.93	158
Orig Ex. Supan (1100)	141.56	+ 1.5	144.54	106.65	120.49	128,55	+ 0.9	2.58	141.06	144.87	106.80	119.80	128.21	153.70	130.65	144

Base values. Dec 31, 1950 - 100, Findand, 1950 - 110, Findand, 1950 - 11

LONDON RECENT ISSUES													
EQUITIES													
Issae Price		Latest Resunc	19	93		iterk	Closing	+or	Met	Tines	6ross	P/	
	4	Date	High	Low			Price	•	Qir	COY'S	Yželd	R	
2510 250 250	FP FP FP FP	11111	68 755 288 46 28	707 93 262 B4	Mauritles F Villerlin int Motor Worl New Our &	Commed. 1877	44 77 93 24 87 92	+1	76.3	25	32	16.	
FIXED INTEREST STOCKS													
Price	Pa	1 44 (Latest Desugn	1		REST S	Store	_	5		ومنو	+ 0	
	Pa	9 E	Lates	1 High	993 Low		Stoc	±		Pr	ice C	+.0	
Price	Pa	P. P. II	Latest Desugn	1	102149 115129 105149 33mm	Artimes Obje to Berlstol Water Commercial Uniform First Hati, Flor NFC 74, pc Ca. Mertin Lati, Gro	Stoc Net) Cr. 14 pc Pt. don 83 pp ance 7 pc Bd. 2007	t Pf. (ex- C Car I Or. Rai.	din'	Pr 118	07p	+12+12+12	
100p 100p 100p 100p	Pa B F. F. M	P. P. II	Latest Remunc Date	107p 107p 1203p 1203p 1104p 44ppm 1144 60p	1094 1153-p 1053-p 33-pm 1093- 54p	Akriones O'ap C Bristol Water I Commercial Uni First Heel, Flor NFC 7 Law Cr.	Stoc Net) Cr. 14 pc Pf. don 83 p ance 7 pc Bd. 2007 en Zero	t Pf. (ex- C Car I Or. Rai.	din'	Pr 118	07p	+12 +12 +1	
100p 100p 100p 100p	Pa B F. F. M	P. P. III	Latest Remunc Date	107p 107p 1204p 1204p 1104p 44ppm 1144 ₄ 60p	1094 1153-p 1053-p 33-pm 1093- 54p	Altrines Chp C Bristol Water I Commercial Us First Batt F Hertin lati Gra Mertin lati Gra	Stoc Net) Cr. 14 pc Pf. don 83 p ance 7 pc Bd. 2007 en Zero	t Pf. (ex- C Car I Or. Rai.	din'	Pr 118	07p	+1, +1,	

Color of applications Colo	BANK OF			REASURY BIL		
Total of agolifications E354m Security Security		Feb.	19 Feb.12		Feb 19	Feb.12
DRICON Feb. 19 Change REW YORK Feb. 19 Change Feb. 19 Ch	Total of applications	E35	4m E321m 0m E100m 550 E98.650	Amount on offer at next tend	5.4134* 5.4875* 5100er	5.4034% £100m
DROON Base rates 6	WEEKLY C	HANG	EINW	ORLD INTER	EST RA	TES
Bare rates	LONDON	Feb.19	change	REST AUDIL	Feb.19	ckange
One tourish 9	day interback	54134 53 53 54 54 54 55	Unch'd +0.0818 Unch'd Unch'd Unch'd Unch'd Unch'd Unch'd Unch'd +1g -2g +2g	Prime rates Federal Founds Shith, Treasury Bills 6 Mith, Treasury Bills 3 Mith, LO FRAMIFURT Lambard One neth, infortunik Three mooth Informention Rate One neth, teerbank	24 299 3.12 3.07 9.00 8.575 8.325	-0.01 -0.08 -0.05 Unch'd +0.50 Unch'd
	SRUSSELS One prounth Three month	94 84	+12	One month		_

BASE	LENDING	RATES

BASE LENDING RATES									
Adam & Company 6	%	%							
Allied Trust Bank 6	Cyprus Popular Bank8 Duncan Lawle	Mount Banking 6 NatWestmbster 8							
AlB Bank 6	Equatorial Bank pic 6	Nykredit Mortgage Brik 8.5							
B & C Merchant Bank 13	Exeter Benk Limited	•Res Brothers 6							
Bank of Baroda 8	@Robert Fleming & Co 6	Rooburghe Bank Ltd 6 Royal Bk of Scotland 6							
Banco Bitbao Vizcaya 8	Girobank6	Smith & William Secs. 8							
Bank of Cyprus	•Guinness Mahon 6	Standard Chestered 6							
Bank of Ireland	Habib Bank AG Zhelch , 6 CHambros Bank	TSB6							
Bank of Sections	Hampshire Trust Pic 13.5	Unibank pic							
Bardays Bank8	Hentable & Gen kry Bk. 6	Unity Trust Bank Pic 6							
Brit Bk of Mid East 8	of the Samuel	Western Trust 6							
CL Bank Noderland8	C. Houre & Co	Whitneway Laidlaw 6							
Cabank NA6	Hongkong & Shanghel 6 Julian Hodge Benk 6	Yorkshike Bank 0							
City Merchants Bank	CLeopold Joseph & Sons 8	0 Marshar - 1 0 Marshar							
Clydesdale Bank 8	Lioyds Bank	 Members of British Merchant Banking & 							
The Co-operative Bank6 Courts & Co	Meghraj Bank Ltd 8	Securities Houses							
Credit Lyonnals	McDonnell Douglas Bit. 6 Midland Bank	Association							

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	MONEY MA	RKET F	UNDS
	Manay Market	Gro	Green City- in Net CAR line
s	Money Market	Courts & Co Between Account	
	Trust Funds	15 Lombard St, London EC.) For personal cuttingers	
Het Times Gross P/E Dir Co/d Yield Ratk	CAF Moury Management Co 11d	650,000+ (4 0 620,000-649,999 (3.5 65,000-619,999 (3.0 For husinesses, chariffly, and	0 300 4.06 - 0 2.630 3.55 - 0 2.25 3.03 -
	48 Pentury Road, Toubridge Tif9 2.10 0732 770114 Galcash Deposit Fund 5.56 - 5.68 - 7.68 - 7.78 - 7.78 - 7.78 - 7.78 - 7.88 - 7.	C20,000-E49 999 . 3.5 E5,000-E19 999 . 3.0 For husbussess, charifle, and C100,000-E1 000 000 . 3.2 C20,000-E24 999 . 3.2 Cautis Cormunity Account for 15 Lombard Street, London E Base, went blake on . 1.5 4	2630 355 × 344 355 × 166 252 -
76.3 2.5 3.2 16.4	The COLF Charities Deposit Account		20 -1 -0 1-10 1-10 1-10 1-10 1-10 1-10 1
	Deposit 15 90 -1 5.031 -		don) PLC Premier Acc 0 071-631-3313 0 3.75 5.09 - 9 4.13 3.61 -
	Cent. Bd. of Fin. of Church of Englandts 2 Fore Street, London ECZY 5A0 071.588 1815 Deposit	86 Rewman Street, W1P 3L 52,500-£10,000. 5 b £10,001-620,000. 5 5 620,000+6 6 2 Sevings Account 14 0	375 5.09 = 4.13 3.61 = 4.67 4.40 =
S	Gartmore Minney Management Ltd 16-18 Monument St. London EC3R 800 071-236 1425 TESSA Desk 071 236 9362	Danisham Vol. Bl., R.	weekam EDD Acc
Clasing Price + or	16-18 Monament St. Lordon EC34 800 071-23-1425 TESSA Desk Call Foo . 4-94 3.71 3.00 - 7-day Fand. 4-99 3.74 5.05 - Soncial Fund. 4-91 3.64 5.02 - 6-liker	£10,000+1 Year J4 00 Fidelity Money Marks	d Germant
E .	Dollar 196 1.47 1 197 - 450 -	Fidelity Brokerage Services C1—C49,999 Hilderbargugh C50,000—C494,999 5 6/ C250,000—C494,999 is 6/ L500,000+ Money M	Ltd, Gathail House, Keet TW11 902 3 375 4 58 —
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PY 390000 +2 1104 5949 -4	Bank Accounts	Gartmere Money Man	agement Ltd EC3R800 071-2361425) 33751 4581 —
	Grass Net CAR THAT	Hailfax Bidy Set Ass Tristy Road Haillan #X1.71 15.000-59.999	et Reserve Cheque Acc
Closing	AIB Bank High Interest Cheure Account Belmore Rd. Unbridge 400 15A 0000 282115	15 000-59 999 5 00 510 000-524 999 5 65 525 000-649 999 6 70	3.75 5.09 - 4.24 5.77 - 4.56 6.24 -
Price + ar	Belmont Rd. Unbridge U00 15A 22.500-69 999 227 1 70 229 2.500-69 999 23 24 281 3 79 Attken Hume Bank pic	Julian Hodge Bank Li Minhar Place Cardiff CF	5141 7031 = d 1384 0272 220000
6lmm -1	ACKERN HINTER STARK DIS. 30 CHy ROAD (CLY 2AV. Tressury Accesses - from professional advisors. Modify Inc. Age: the prognost and basicess, calculot to to TV, 979	Julian Hodge Bank Li 20 Window Place Cardiff CF & Ein Fred Rus Des Az 17 00 Eatra Bigh Interest Desput A £50,000 + £.50 £5,000 + £.50 £5,000 + 6.00	1 38X 0222 220908 5 25
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in provious year's careings. 4 997-93. If Navidand and slate		125 001-1 100 000 5 50 1100 001 plus	5 6140 to 1250
idead, cover and pie based on elimites for 1992. O Gross O cial estimates. W Pro Forma	American France Dank 144	Kleinwort Beason Ltd 158 Renish Town Rd, London H I C 4 (£2,500+) . 15.25	HW5 201 071 267 1566 3 93731 5 3741 -
Unlisted securities market, a Units comprising 1 and, and 1	Sessez House, Burgess HIII RH15 9AQ 0444 232444 High Performance Chicago Account	Lipyds Bank - Investo 71 Lombard St. London ECJP	neut Account 385 0272 433372
	£500-£999 99 . 2.00 1,50 259 1,50 259 1,50 259 1,50 259 1,50 259 1,50 259 1,50 259 1,50 259 1,50 259 1,50 259 1,50 2,	71 Lombard St. Loedos EC3P C50,000 and alose 5 40 C25,000+ 5 20 C10,000+ 5 00	385 0272 433372 4 05 5 40 - 3 90 5 20 - 3 75 5 00 .
L TENDER	250,000-(40,490 91, 15.25 3.94 5.38 5.00 5.000+ 15.75 4.31 5.90	Mildiand Bank pic PO Box 2, Sheffield Extreme Acc (5000+ 4-35	0742 529394 3 18 4 25 -
Feb 19 Feb 12	Bank of Ireland High Interest Cheque Act 36-40 High St, Stoogh SJ, 12E 120,000 - 093, 516-516 62,000-69,999 - 1400 3,000 4,000 - 62,000-69,999 - 1400 3,000 4,000 -	PO Box 2, Sheffield Exchange Acr 15000+ 4 75 \$10 000+ 5 00 \$25 000+ 5 50 \$50,000+ 6 50 \$155A, 6 57	3.75 5.00 - 4.12 5.50 - 4.67 6.50 -
5.4148% 5.4148% 5.4134% 5.3316% 5.4675% 5.4034%	Bank of Sentland	MalWest Crown Reserv	e Account
67 £100m £100m Lays £97,335 £97,350	38 Threatheredie St. EC2P 2EH hist Dojac (254)-1949 4 64 3 48 4.74 - 25,000-2549,999 4 88 3.46 4.99 - (250,000+, 5.75 4.31 5.90 -	41 Lethbury, London, EC2P 2 L50,000 + 6 12 C25,000-Lee, 999 5 75 £10,000 to £24,999 1,750 £2,000-C9,999 4,750	8P 0800 200 400
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9.10 Vectrd	Brown Shintey & Co t 1d	Provincial Bank PLC 38 Ashley Rd, Attrincham, Che B I CA (CL,000+1 IS.00	phre 3.75 512 -
造 袋	Founders Court, Lothbury, Loudon EC2 071-606-9833 HICA 500 3.75 509 Prof Deresand A/c 500 3.75 509 =	Poval Rook of Scotlan	d ale Dramban An-
	Caledonian Bank Pic 8 St Andrew Square, Edishorek EH2 2PF 031 556 8235 HICA 15.5 4 1251	42 St Andree Sq. Edishorph E 650,000+	12 2YE 031-523 8302 3 75 5 09 - 3 45 4 66 - 1 88 2 52 - 1.50 2 62 -
14.875 -0.625 14.375 -0.125	Cales Alles Ltd	\$2,000 - 14,999. " 2.00 Save & Prosper/Robert	Floring
	25 Birchin Lane, London EC3V 90.3	16-22 Western Rd, Riorylord R Cilent Account	M1 34.B 0800 282101 3.38 4 60 - 4 63 - 5,25 -
	I man a di man di man di man	Toudall P. Co. Ltd.	
	1 Patrinoster Row, EC4M 70H. 071-248 4000 C2 500-619 999	29-33 Princess Victoria St. 6r Demand Acc. 04 87 HIMA £1,000+ 04 75	3.65 04 96 - 3.56 04 83 -
% Banking 6	Unarteriouse Bank Limited Patrinster Row, ECM 70th, 12 500-619, 999,	29-33 Princess Victoria St. Br Dremand Acc. 04 87 HIMA £1,000+ 04 75 HIMA £100,000+ 05 00 Master Phs 05 25	3.55 04 96 - 3.55 04 83 - 3.75 05.99 - 3.99 04.71 - 05.35 -
odt Mortgage Brik 6.5	\$100,000-6199,999 2.25	LEC Truck I intilled	
Brothers	Civilectals Bank Flexible Solution Acc	1 Great Cumber Land Pl. Londo £10 000-90 day notice. 7,75 £10.000-180 day notice. 8 50 £25,000 - 1 Yelv	6.38 6.66
Bk of Scotland6 & William Sect. 8	30 St Vincent Place, Glasgow G1 281. 041 248 7070 E10,000-629,999 4 29 3 15 4.27 - 530,000-649,999 4 22 3 17 4.29 - E100,000-6199,994. 4 27 3 20 4 3 4 -	Unified Dominious True PO Box 135, Abbey St., Readin Capital Pion Charge Account	FRG1 3EB 0734 560411
ard Chestered 6	Confederation Rank Imited	I Hanny Schooles Wa	3.94 5.35 - 99 & Co Ltd
nk plc	Primett Road, Stevesopp, SGI 300 5 21 7.57 = 0430 744500 00 lay, Matta Ric 125 1036 = 16.95 5 21 7.57 = 0430 125 125 125 125 125 125 125 125 125 125	120 Cheapside, London ECZV Special Acc. 387: 610,000 and above 4.12	291 5.93 3 091 4.18
Trust Bank Pic 6 om Trust 6		Western Trust High In The Moneycentre, Physioth P £15 000+	Rerest Cheque Acc 11 15E 0752 224341
away Laidiew 6 hire Bank 0	The Co-operative Bank PO Box 300, Sheimersdale Lancs TESSA	The Moseycentre, Plymouth P E15 000+ 5500-E16 999 550 525 E1,000-E4,999 5.00	11 15E 0752 224341
mbers of British	Pathtinder - Card Basic Correct Account All Balances. 5.84 4.38 6.00 - Investment 90 - 90 Per Molice Savings 650 0004 657 93	Wimbledon & South V 114 Newsate St. London ECL High let Chemic Acc	7AE 071-606,9485
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FT-SE Mid 250	304B.3	3040.3	3017.4	3009.5	3022.5	3006.3		2157.8	3051.4	1379.4
FT-SE-A 350	1404.8	1402.9	1391.5	1390.0	1404.3	1401.5		1103.1	1416.5	664.5
FT-A All-Share	1387.47	1385.59	1374.50	1373.41	1386.96	1384.18		1088.13	1398.63	61.92
FT-SE Eurotrack 100	1138.60	1132.95	1121.77	1123,14	1132.97	1129.97		937.42	1200.27	900.45
FT-SE Eurotrack 200	1191.09	1181.03	1173.51	1179.54	1184.15	1181.05		1010.09	1248.79	
FT Ordinary	2200.7	2197.2	2175.6	2171.3	2167.8	2187.8		1670.0	2226.1	938.62
	95.32	96.13	95.00	95.95						49.4
FT Government Secs.					95.85	95.72		95.11	127.40	49.18
FT Fixed Interest	112.00	111.83	111.75	111.69	111.62	111.16		97.15	112.00	50.53
FT Gold Mines	93.5	93.5	96.2	91.9	91.2	94.3	160.6	60.0	734.7	43.5
			LONDO	N SHAR	E SERVI	CE				
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8 ¹ 20C 1994 10217 -		29.12 4671 Con	wersion 9120c 2004	118 0.7	3,812 Ap25 0c25	18.9 1246	4°apc '98(13 2°apc '01(7	to the seal of	500 Ap27 Oc2 1,350 Mr24 9c2	4 15.2 1316
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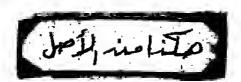
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MONDAY INTERVIEW

Mogul with the most

American entrepreneur David Geffen talks to Alan Friedman

nition of a renaissence man in 1990s America? If the criteria were to include an extraordinary husiness acumen which ranges from founding and selling a company for half a billion dollars to making shrewd investments in commercial property, stocks and bonds – combined with a passion for the worlds of both modern art and national poli-tics, and the ability to produce hit movies, records and Broadway shows - then David Gef-

fen might just fit the bill. The 50-year-old Mr Geffen made his first \$1m in 1969 in the record business, and went on to reap more than \$700m of cash profits when he sold his shareholding in the November 1990 takeover of the MCA/ Universal entertainment group by Matsushita of Japan.

He has invested much of his money on Wall Street, effectively becoming Hollywood's version of Mr Warren Buffett. the billinnaire investor who figured prominently in the rebuilding of Salomon Brothers

Mr Geffen is one of the wealthiest entrepreneurs in the US. a consummate telephone schmoozer who moves almost effortlessly across sectors too disparate for most self-made men with net worths of more than 31bn.

Mr Geffen, whose preferred dress is a white T-shirt, jeans and tennis shoes, operetes from a comfortable third floor office notable for its L-shaped sofa, absence of a desk and westward view along Hollywood's Sunset Boulevard. He spends an hour each day working out at one of the gyms he has installed in his houses on the beach at Malibu and New York's Fifth Avenue and in his Beverly Hills mansion.

"I am being what I want to be every day," he declares, clearly irritated by Hollywood speculation about what buslness venture be will next undertake. Amid the back-stabbing politics of Tinsel Town, Mr Geffen is one of the few individuals who garners nearly universal praise from studio heads and stars alike. The word most often used to

It is an adjective that might also be used to describe the handful of close friends who for years have chatted on the telephone with Mr Geffen almost daily. This inner circle includes Mr Barry Diller, the

programme for tackling the hudget deficit; some people

even think the programme looks plausible. What has been less noticed is that this eco-

nomic programme was almost

the only subject in the speech.

gest that President Clinton has

said in his first state of the

tioo the European allies.

break with tradition.

former chairman of Twentieth Century Fox; Mr Felix Rohatyn of Lazard Frères; Mr Jeffrey Katzenberg, who runs the Dis-ney studio, and Mr Allen Grubman, the leading entertain-

ment lawyer in America.

For Mr Geffen, contacts are everything. "His Rolodex has few rivals, in this town or anywhere," observes the chairman of a big Hollywood studio. "He is very tough in business, very direct. He is like a laser beam. says an old friend who prefers not to be named.

Mr Geffen was not born to wealth. He grew in Brooklyn, the son of the enterprising Mrs Batya Geffen, who supported the family by designing corsets and brassières and eventually became a landlord. The academic life was not for the young David Geffen, who dropped out of university and in 1964 went to work in the mailroom of the William Morris talent agency, where he met his friend Barry Diller.

By the late 1960s he discovered Laure Nyro, the folk singer. Acting as her manager and producer, he launched her career and made more than \$1m. It was then a short hop to his successful backing of Linda Ronstadt, The Eaglee, Joni Mitchell and many more stars.

In 1972 he sold his record label to Mr Steve Ross, the founder of Warner Communications. Mr Ross named Mr Geffen vice-chairman of Warner Brothers, the group's Hollywood studio, in 1975, but be was not comfortable in a corporate structure and soon left. A year later, when he was diagnosed as having cancer, he dropped out of the business world, only to return in 1980 when the cancer scare proved

to have been a false alarm. It was the founding of Geffen tecords in 1980 that created an asset so valuable that it fetched, \$545m in stock when Geffen sold it to MCA a decade later. Eight months after that deal, at the end of 1990, MCA itself was sold, netting Mr Gef-

fen \$710m in cash.
Mr Geffen's activities since
the MCA deal have been increasingly diversified. The one area he has rarely discussed, however, is his investment portfolio - and Wall Street. The portfolio now totals

"As an investor I have been averaging a 25 to 30 per cent annualised return eince 1990," he says. "At first I was doing it with high-yield instruments, but in the past 12 months many of the bonds have been



new ground in Hollywood by

publicly announcing his homo-sexuality. Last November 18,

with 6,000 people packed into a Hollywood amphitheatre for a

concert that raised \$4m for

Aids research, Mr Geffen was honoured for his contribution.

Yes, he says, "there was a time in my life when I would have

been uncomfortable getting up

in front of 6,000 people and

acknowledging I was gay. But this was intentional."

The only subject that makes

Mr Geffen bristle is the way his Hollywood peers gossip about his next big deal. His

response is direct: "I am run-

ning a record company, a big investment portfolio; I am fin-

ancing Broadway shows and making movies such as the new production of M Butterfly

with Jeremy Irons; and I am

working with my foundation.

some people might think of

that as enough ectivity."

He's tough in business; he's like a laser beam and the Broadway shows he redeemed by the issuers, and I investor, to make a \$3bn bid

have transferred about \$400m into equities." Over the past year Mr Geffen has bought big share stakes in companies such as Wells Fargo, the California bank whose stock has jumped hy more than 50 per cent; American Express, of which the share price rose substantially after the resignation of Mr James Robinson, its chairman; and RJR Nabisco, the food and tobacco group.

PERSONAL FILE

1943 Born in New York, 1964 Begen work in the mailroom of the William Mor-

ris talent agency. 1969 Sold chare of Laura Nyro music business, making his first \$1m. 1970 Launched Asylum

1975 Vice-chairman of Warner Brothers studio. 1980 Launched Geffen

1990 Sold Geffen for \$545m in MCA stock; eerned \$710m when MCA was bought by Matsushita. 1991 Switched more than equities; net worth now

more than \$1hn Mr Geffen considers it "a good thing" that institutional investors are taking a more active role in shaking np the top managements of US companies such as IBM, General Motors and American Express. He also reckons that a great number of companies are trading at very reasonable prices", and saye there are now "tremendous opportunities in the

equities market". In 1991 Mr Geffen showed Wall Street he was prepared to be a hig-time corporate player when he teemed up with Bechtel Investments and Mr Richard Rainwater, the Texas

for Executive Life, the failed insurance group. The bid was not eccepted but Mr Geffeo went on last year to help out his old friend Mr Calvin Klein, the fashion designer, buying a total of \$61m of Klein's junk bonds for an estimated 50 to 60 cents on the dollar. "Those bonds will be retired by the end of February and replaced with bank debt that bas a much lower interest cost," Mr Geffen discloses, although he will not reveal the substantial capital gain be is expected to

make on them.

Paper profits are also likely for Mr Geffen in the art world. He says that over the past couple of years he has spent more than \$50m buying the works of masters from the abstract expressionist era to early 1960s pop art. "I don't think of it as an investment, but as a plea-sure." None the less he also reckons the art market will have turned around within the next year or so.

The other new focus of Mr Geffen's life is politics. An ardent supporter of Bill Clinton, Mr Geffen contributed ocratic party last year. He was also among those at Mr Clinton's economic summit in Littie Rock last autumn. "I found it very valuable. Both Bill and Hillary Clinton are very impressive and there is every reason to expect that a lot will happen in Washington that is valuable for this country."

Mr Geffen has not merely supported the new US president; he has also expanded his private foundation and has been giving away \$5m to \$8m abortion rights, homelessness and Aids research. He donates to the foundation all his personal earnings from managing the record business now owned by MCA, the movies he makes

A flawed drive for fairness

was among the first to criticise Lord (then Mi Nigel) Lawson's 1987 Budget which sharply cut British top rates of tax. So I should be madly applauding President Bill Clin ton's "soak the rich" economic package. Yet the crude emphasis oo fairness - the selling of the plan as virtuous simply because the affloent are bear ing most of the burden leaves me cold. It is a bit of a cheek coming from Mr Clinton's elite ecnnomic team, many of whom got very rich during the now-despised 1980s.

Mr Clinton is demanding that the top 2 per cent of families - those with incomes of \$200,000 or more - finance nearly 60 per cent of the total tax increase, which means locreasee averaging nearly \$15,000 a year. The rest of the top 10 per cent face much lower but still stiff increases. The bottom 90 per cent is barely touched, with increases ranging from nil for families with incomes less than \$30,000 to a few hundred dollars for

the near-affluent.

The president is proving a marvellous salesman. Yet his cosy sessions with schoolchildren are beginning to get irritating. He projects the image of the "philosopher king" who knows everything, yet his depiction of the "greedy" 1980s is decidedly one-dimensional.

Mr Clinton argues that the sharp drop in top income tax rates - from 70 per cent to 28 per cent - was e boon for the wealthy. What he fails to mention is that the rate paid on the last dollar of income bears little relation to the overall tax burden. The point about the tax

reforms of the 1980s is that they balanced cuts in tax rates (which affect people's incentive to work or save) with restrictions on the loopboles and spe-cial concessions that favoured the wealthy. The upshot was little change

in "effective tax rates" - the ratio of all federal taxes (including social security contributions) to incomes. The



AMERICA

poorest 20 per cent of families paid 8.5 per cent of their incomes in tax in 1991 compared with 8.4 per cent in 1980; the richest 20 per cent paid 25.8 per cent rather than 27.3 per cent. The very affluent did gain; the effective rate on the top I per cent fell to 28.9 per cent against 31.8 per cent in 1930, but the decline was modest relative to the plunge in the top marginal rate. The stability of effective rates reflected Democratic control of Con-

The contribution of affluent families to total revenues actu-ally rose substantially during the 1980s because their share of national pre-tax income rose sharply, more than compensating for the minor decline in their effective tax rates. The shift in pre-tax income shares partly reflected underlying trends such as a decline in the relative pay of unskilled workers but a behaviourial response to lower tax rates was also a

As Mr Clinton will shortly discover, the affluent have great discretion over bnw much income they chose to declare; if rates are high they may, for example, take pay in the form of untaxed fringe benefits. They can also choose how long and hard to work; if rates go up, the golf course becomes relatively more alluring. How-ever distasteful it may seem, the big decline in top tax rates in the 1980s squeezed more, rather than less, tax dollars from the very rich.

Inequality statistics are not straightforward. The average income of the bottom 20 per

cent has undeniably fallen in recent years. But the families falling into this category con-

stantly change.

The Urban Institute, a WashIngton thinktank, tracked famflies that formed the bottom 20 per cent in 1977. Surprisingly their incomes had risen 77 per cent by 1986, reflecting the fact that nearly half had moved into higher income groups. The incomes of families in the top 20 per cent in 1977 rose only per cent - half had dropped into lower income brackets over the same period. This mobility is not surprising for example, when students leave college they move into higher income brackets whereas when senior executives retire they move down a few notches.

Taxes should be related to people's ability to pay. But the practicality of trying to raise so much revenue from the top 2 per cent is questionable, especially when the technique employed is a sharp increase in the top marginal rate from 31 per cent to about 45 per cent, allowing for the "millionaire's surcharge" (which applies to taxable incomes over \$250,000), the lifting of caps on Medicare taxes and other changes. An attempt to broaden the tax base by eliminating perks, such as the deductibility of up to \$1m in mortgage interest, would bave made more economic sense.

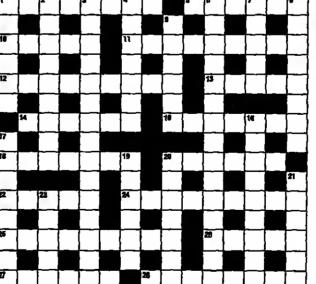
The affluent have never paid particularly bigh effective rates of tax, if only because they can afford the best legal advice. Historically, high top rates were mainly a cover for lower, but substantial, tax increases on more numerous middle income families. But Mr Clinton has blown this opportunity; he is demanding so little from middle income groups that he lacks the resources both to increase public invest-ment and decisively reduce the budget deficit, which is expec-ted to be still nearly 3 per cent of national income in 1997, If, as is likely, revenues from the affluent prove disappointing. his "fairness" drive will have been entirely in vain.

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1 Keen old bird in mountainous

dressing room after the match? (4,3,8) 7 They man ships for a voyage,

we hear (5) 8 It turns its back in e curve, in

9 Uncover swindle (6)
16 What a pop-singer hopes to achieve for himself (6,3)
17 Hobbies make time pass (8)
19 Sign of status? (6)

general (6) 23 Disciplinary panel, perhaps

an aesthetic way (8)

surroundings (6)

Bare and/or rude, perhaps (9)

A cure for despair? (9,6)

Redskin's whip? (7)

Strip, on the floor of the

1 Put around by the perimeter 5 Two bilis I stuck on a tree (6) 10 Intends to make money (5)
11 Water supply exhausted but not squandered (4.5)
12 Together once (2.3.4) 18 A spot of refreshment (5) 14 Ancient S. Americans head

east as a precaution (2,4)
15 Find fee eppropriate to Turk-ish official (?) 18 Apply for directions to one's house (7)

20 Support troops? (6)
22 Bravely built shelter (5)
24 Chief melody of a sea shanty? (4,5) 25 Maine's not to be confused with this state (9)

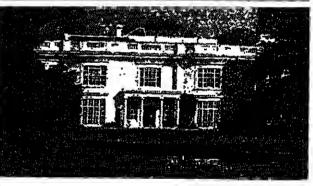
city (7) 21 He deals with the letter S in Restrictions for members in clubs (5) 27 Turns out to have a game on board (6)

28 He wrote comedies many never go out to see (8)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 6.

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The domestic president he most significant fact about President Clinton's state of the union address is what it did not say Wc all know it was mainly devoted to a detailed economic

IAN DAVIDSON EUROPE

There was virtually no reference to the international scene, European allies. Richard Nixon and certainly nothing to sugspoke of the Vietnam War, the Soviet Union, nuclear arms cootrol and the European a foreign policy, nr eveo feels allies. Precident Johnson This would be consistent talked about disarmament, with Mr Clinton's campaign rbetoric, but it is a remarkable east-west relations, and the European allies. John Kennedy spoke of Vietnam, the Congo. the Soviet Union and China It is instructive to glance back at Mr Clinton's predecesand the European allies. Presisors, and at what each of them dent Eisenbuwer talked of defence, the Korean War, and the European allies.

union speech. It turns out that President Clinton's was quite almost all of them, going back as far as the second world war. different. In two brief paradevoted considerable time to graphs he makes perfunctory foreign policy. As you would expect, George Bush went on nods in the direction of the generalities of America's traditional aspirations as e great at length about the international scene - Panama, power, but the passage con-Poland, East Germany, and the tains not a single specific. The US needs e restructured defence to deal with new European allies. Ronald Reagan expatinted on nuclear threats of the post-cold war arms control with the Soviet Union, Star Wars, Nicaragua world; the US has responsibiliand Afghanistan, not to menties as the world's only superpower, the US must be pre-Jimmy Carter talked about a pared to lead e world new international order. challenged by ethnic conflict, by proliferation of weapons, by

human rights, nuclear arms control, Middle East, Poland. the global environment. and the Enropean ailies Ger-But there is no hint of what ald Ford delivered a long secare the real foreign policy tion on international relations, objectives of the new adminisincluding communist countration. Nor is there any mentries, nuclear arms control, the tion of a single foreign country developing world, and the by name, in particular, there is no reference, direct or indirect,

to the European allies.

To find a general US policy declaration which is as domestic as this, you have to go back to Harry Truman in 1945. There may be a reason for the similarity. Truman was hring-ing the boys bome from a world war; Clinton has probabiy grasped, and welcomed, the implications of the end of the cold war. Foreign policy is expensive. In wartime it is an essectial ingredient of government. But in peacetime you do oot need so much of it.

The optional characteristic of foreign policy in peacetime is particularly applicable to the US, because it is now virtually invulnerable to aggression.
During the cold war America was in permaceot danger because of the nuclear confrontation in Europe. Today that threat has almost vanished. America's European allies face new and serious risks of conflict, including those in the former Yugoslavia and the disintegrating Russian empire. But these risks need not affect the US, unless the US chooses; and if Mr Clinton has his way, the

US will not choose. Some will object that the actions of the new administration aiready belie its words. President Clinton may prefer to stay at home; but in practice he has been goaded willy-nilly into taking the leadership of the Euro-UN peace process for Bosnia. The world needs America to lead, so President Clin-

ton is obliged to do his duty.

The world is being taken in by a public relations exercise. True, President Clinton could not categorically turn down the pressing pleas of the Owen-Vance mediators; but be

agreed to take part only on terms which virtually guarantee to stalemate the peace pro-

When the US says it might, after all, be prepared to use force in Bosnia, the world is impressed and relieved. The small priot tells a different story. The US will use force only to back up an agreement, but no such agreement is in sight. The US will support a peace plan, but not the Vance-Owen peace plan. Yet Vance-Owen set the agenda for all other plans. Vance-Owen would require the Serbs to surrender much of the territory they have captured. Any differ-ent plan should to justice require them to surrender even more. But Washington's first step has been to submit the Bosnia peace process to the Russians, who are Serbla's

shift probably reduces the (already minimal) chance that the peace process could lead to an agreement which might be enforced. What we have instead is US "leadership", because that is what the rest of the kind of leadership which is designed to lead nowhere.

reflect that it does not rate a mention in President Clinton's first state of the union speech. Already under Bush it was cleer that the US did not intend to take responsibility for Europe's new disorders, let alone for the peaceful reconstruction of the ex-Soviet empire. We may now need to come to terms with the idea that Mr Clinton really does intend to put the US economy

most powerful allies. In short, the Washington

the world demands, but it is

Europe will have cause to

FINANCIAL TIMES SURVEY

VEHICLE FLEET MANAGEMENT

SECTION III

Monday February 22 1993

N THEORY at least, the savagery of the current recession has provided an opportunity for vehicle fleet managers to adopt the mantle of heroes - slayers of waste on behalf of a corporate sector in

Reality, in an unnerving number of cases, is somewhat different. According to one influential annual survey of the fleet policies of nearly 600 UK companies, the harsher economic climate has had no noticeable effect in terms of tightening the financial disciplines applied to company fleets, in particular those where cars are provided primarily as "perks"

Nearly one in three compa-nics is still not even monitoring the operating costs of its car fleet, according to the current Company Secretary's Review of Company Car schemes*. Only 54 per cent of companies surveyed kept detailed records of the running cost of each vehicle.

As might be expected, there is a considerable difference between the controls exercised by small companies, with their limited resources, and large ones: 69 per cent of companies running a fleet of 100-pius vehicles kept detailed records on each vehicle. But if the survey's findings reflect approximately the UK picture overall - and there is no reason to suppose that they do not that still means that nearly one in three of these larger companies has no proper idea of its fleet costs.

There is evidence, however, that the sector as a whole has started to become more sensitive to fleet costs, even if in some cases its attempts to control them have proved counterproductive. in that category. for example, comes the retention of vehicles to an age and mllcage where maintenance and repair costs become excessive and where their unreliability potentially impairs the

effectiveness of employees. There has been no lack of initiatives from vehicle makers to persuade business car users to sign fresh orders. With most large continental new car mar-







New contenders are justling for sales in Europe's ever more crowded fleet marketplace: Honda's UK-built Accord (top left), the Ford Mondeo (top right), due for launch next month and replacing the Sierra; Nissan's Primers (bottom right) which is already whining fleet orders, and the just-launched Citroën Xantia, output of which is now gathering pace

Lure of a buyer's market

For UK carmakers, fleet sales are vital. But the new tax regime may lead more companies to offer employees a cash alternative to a car, writes John Griffiths

through its Vauxhall subsidiary, as well as other key players such as Peugeot, have been doing their utmost to encourage and capitalise on faint stirrings of recovery in the UK

The UK business car sector is exceptionally important to them. Britain rivals Germany as Europe's leading market in terms of the number of business-funded cars on the road more than 3m - but it out-ranks Germany in terms of company car sales as a proportion of the total.

"Fleet" sales - defined as sales made to companies opercent of total new car sales in the UK last year. Add on sales to smaller fleets and cars bought for business but registered in the name of individuals, such as architects and lawvers, and most estimates put the total at between 65 and 70 per cent.

For UK market leader Ford, even though it substantially reduced its unprofitable sales to the big car rental companies last year, fleet sales alone accounted for more than half lts total. Two out of every three Vauxhalls sold went to

Even so, after several "false Rover, and General Motors accounted for nearly 42 per year, the total new car market from Toyota's new car plant at bear fruit nearly 11,000 of its where outside Europe are last year, and to equate taxa-

reached only 1,59m units -700,000 less than in the record year of 1989. That was after the removal, in two stages, of the 10 per cent Special Car Tax against which manufacturers UK car output, in addition to had lobbied for more than a well over 200,000 a year from decade. Against that background - with car plants on short-time working, tens of thousands of jobs lost and the

AWD in the commercial vehicle sector - fleet managers may justly consider themselves in a huyer's market. Indeed, the competitive screw is about to tighten further. At the end of last year,

collapse of Leyland DAF and

Burnaston, Derhyshire, and from Honda's at Swindon in Wiltshire. By the mid- to late 1990s, these plants will be adding at least 300,000 units to

Nissan's plant at Sunderland. All three Japanese manufacturers know that to achieve long-term success in the UK they must establish a firm fleet presence, and have set up marketing divisions specifically to cater to the sector. For Nissan, which last year took over its UK distribution operations following the rupture of its ties

with Mr Octav Botnar, the

plus fleet sector, or nearly 15 per cent of its total.

Surveys of companies' fleet policies show that what was once an entrenched hostility hy British companies towards putting Japanese-hadged cars on their fleets is now rapidly crumbling.

According to this year's Monks Partnership guide to company car policiest, 65 per cent of the 200 companies It surveyed (72 of them with £500m-plus turnover) now have Japanese cars manufactured in the UK on their "approved" company car lists. Even cars approved by 47 per cent of such companies. The figures are only slightly less - 50 per cent and 38 per cent respectively - among smaller compa-

Thus when the Mondeo, the medium car range replacing the Sierra, on which Ford claims to have spent Mhn, hits the marketplace next month as its first "world" car, even Mr Ian McAllister, the Ford of Britain chairman, acknowledges that the days when a new product from Ford would sweep all before it are now over. Nevertheless, the Mondeo stands a good chance of becoming the market leader in its

sector.

However, it will be fighting for a place in the market among many more rivals than when the Sierra was launched more than a decade ago, and rival manufacturers will not

meekly give way.

Thus there is little prospect of an end to the deep discounting that is now endemic in the motor trade. The scope of this discounting is also apparent in the Company Secretary's Review. Fleet managers report mean discounts of around 15 per cent on mainstream fleet cars, and even the executive sector "specialist" companies like BMW and Mercedes are not immune, with the survey. finding mean discounts of 5-10 per cent, depending on model.

Despite such discounts, and the seemingly contradictory lack of effective monitoring of operating costs by many companies, all the signs are of con-tinuing caution by fleet managers towards new car purchases. Thus Mr McAllister expects at best a 10 per cent recovery this year, a view shared by most

other industry leaders. Yet there are special reasons why the outlook for the fleet sector is uncertain. Not least, many fleet managers want to know the final form of the revised taxation regime for company cars and their users. Mr Norman Lamont, the chancellor, is expected to shed more light on its detail and the timing for its introduction in his budget speech next month. It is expected closely to follow out-

IN THIS SURVEY

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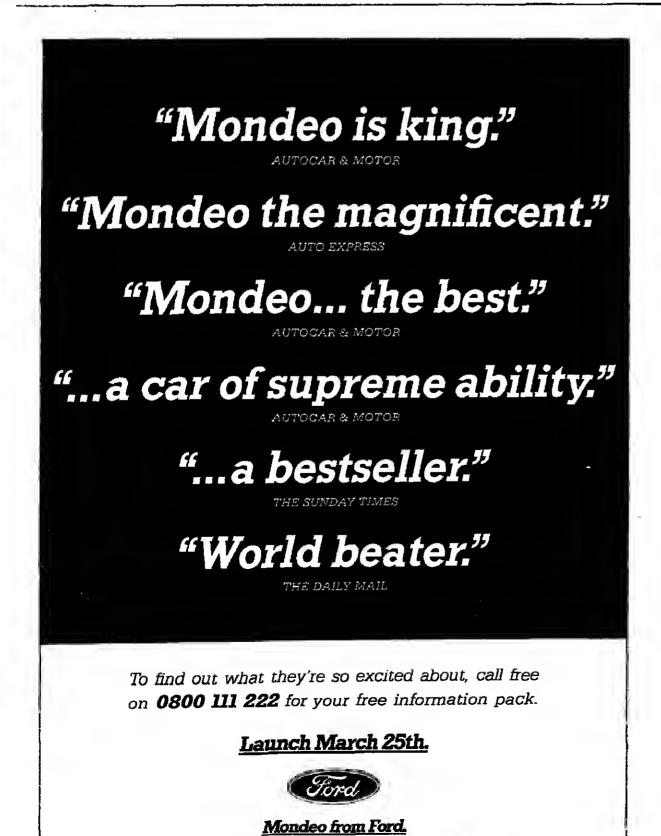
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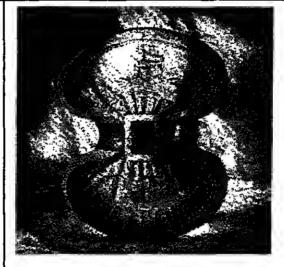
tion levels solely to new vehicle price.

Once the detail is known. companies will have a much better idea whether the time is appropriate, as a growing number appear to think, to offer their employees a cash alternative to a car, thus allowing them to disengage from the risks and complexities of running a fleet. An obstacle to such a switch was removed last year, when the courts ruled that no VAT should be levied on cash offered in lieu of a car - for uncertainty on that point had acted as a brake on "cash-for-car schemes".

Overcoming another brake on such schemes - that surveys show a strong desire by most employees to keep their company cars at almost any price - is another matter altogether.



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VEHICLE FLEET MANAGEMENT

N his budget speech next month Mr Norman Lamont, the chancellor, is expected to indicate the extent to which the Inland Revenue's proposals for the reform of company car taxation, first nutlined last summer, have been amended by criticism invited from the motor industry and other inter-

ested parties. The legislation to implement the revised tax regime will then be introduced in this year's Finance Act. But such are the complexities of change - to PAYE systems, car makers' production and marketing strategies, for example - that there will almost certainly be no attempt to introduce the changes before the start of the 1994-95 tax year. If the switchover seems likely to cause more complications than expected, it could even be post-poned until later.

Despite, nr perhaps because of the wide range of responses to and criticisms of the Revenue's draft, there appear few signs that there will be significant departures from the

scheme as originally proposed. The Revenue has declared four principal aims in restructuring the way personal taxatinn of the company car benefit is assessed: greater fairness,

HE Inland Revenue's proposed new company car tax regime has met with a chorus of criticism. At least one accountancy group has warned that "there will be considerably mnre losers than wlnners" if it is adopted unchanged.

Critics include the Society of Motor Manufacturers and Traders, in a formal submission, it voices "profound" oppo-sition to the Revenue's proposed retention of price banding as a means of assessing the tax benefit payable on the personal use of company

The SMMT argues that any new regime should be based solely on a fixed percentage of list prices, with the exception of very expensive makes such as Rolls-Royce and Aston Martin, whose manufacturers could be severely disadvantaged by a wholly pro rata

At the heart of its opposition is its belief that any form of price banding will lead to market bunching of manufacturers' models at around the price "break points", thus perpetuating - even if to a reduced degree - market distortions already to be over-taxed - Mr

reduced distortion of the new car market caused by manufacturers producing "tax break specials" within the current prics and engine capacity "banding" system, to promote fuel efficiency and to simplify the administration of company car taxation.

Central to the Revenue's proposed new regime are a dozen new bands, based wbolly on price and stretching up to £60,000. The current regime, which the Revenue itself has described as ontdated and crude, has only two price thresholds, of £19,250 and 229,000, above which the assessed tax benefit to the user rises sharply.

These, however, currently are assessed in combination with three engine capacity bands, of under 1.4 litres, 1.4-2 litres and over 2 litres. One of the loog-standing criticism of these capacity bands is that they do not differentiate between petrol and much less powerful but more economical diesel engines, which require more cubic capacity for a given level of performance.

The proposals favour using the manufacturer's list price as the basis for the bandings, but leave open actual cost to purchasers after discounts, and

already complained of by the

Monopolies and Mergers Com-

survey of company car opera-

system.

Despite the SMMT's stance, a

Drivers on business face a new regime, writes John Griffiths

Wait for the tax changes

sstimates of original market value for a particular category

of car, as alternatives. The Revenue has dons its nwn calculations about the sxpected effect on some 2m company car drivers and asserts that 1.2m drivers would benefit from the revised structure, with their tax bills falling by up to 25 per cent. However, it also acknowi-

edges that there would be 700,000 losers. About 500,000 of these, with cars currently in tbs £13,000-£15,000 bracket, would be less than 10 per cent worse off. But about 200,000 drivers of high specification cars with prices just under the current two "break" points face a 40 per cent tax rise.

Launching the proposed scheme, Mr Stephen Dorrell, financial secretary to the Treasury, said that it was designed to end the unfair situation whereby for example the presumably low-paid driver of a basic 1.8 litre Ford Fiesta diesel, using mainly for business,

Original market value	Engine size (cc)	High business mileage (18,000 miles or more)	mileage (18,000 mileage (2,501	
	Car	s under four ye	ars old	
Up to £19,250	0-1408	21,070	£2,140	€3,210
Up to £19.250	1401-2000	£1,385	£2,770	٤4,155
Up to £19.250	2001+	12,220	£4,440	28,860
£19,251 to £29,000	Alf	£2,875	£5,7 <i>9</i> 0	28,625
Over \$29,000	All	£4,650	£9,300	£13,950
		rs over four year	rs old	
Up to £19,250	0-1400	£730	£1,460	£2,190
Up to £18,250	1401-2000	2840	C38,F3	52,620
Up to \$19,250	2001+	£1.480	€2,980	€4.470
£18.251 to £29.000	All	£1,935	€3,870	25,805
Over £29,000	All	£3,085	26,170	09,255
				Source: Inland Revenu

paid the same tax as the driver of a Mercedes 190 for equivalent business mileages.

What the new regime appar ently does not seek to do is increase the total tax burden hy more than the current scheme would impose in the normal course of annual In a foreword to the propos-

als, Mr Lamont signalled that the swingeing annual increases in scale charges that have quadrupied tax payable by company car users in less than a decade are at an end: "The government recognises that company cars are an important feature of modern husiness life and of the UK car industry, and make a significant contri

bution to the Exchequer.' While not spelling it out precisely, Mr Lamont indicated that, in the government's view. company cars are now just about tax neutral - neither encouraging nor discouraging their provision. Currently, the

Exchequer's receipts from the tax are around £1.4bn. The proposed dozen price

£9,999, £10,000-£12,499, £12,500-£15,499, £15,500-£19,499, £19,500-£24,499, £24,500-£30,999, £31,000-£38,999, £39,000-£49,999, £50,000-562,500, and over 562,500. The advantage seen in this successively wider banding is that it would be particularly sensitive in the £10,000-£19,500 region where company cars are con-To generate the same revenue yield as the present sys-

bands are: under £5,000, £5,000-

£6,499, £6,500-£7,999, £8,000-

tem, the proposals suggest o scale representing two-ninths of a car's value for drivers covering 2,500-18,000 business miles a year, one third for lowmileage (below 2,500 miles) users and only one-ninth for those covering more than 18,000 business miles a year. The document proposes no age bands, despite widespread criticism that essential car users are heavily penalised if they do not cover more than 18,000 business miles.

Cars now costing between £19,250 and £29,000 would be split into two bands. The 60,000 cars in the lower half of the current band would have the tax charge cut by 15 per cent on average. In the case of cars costing more than £24,500 -

drivers would be modest losers. For the most expensive cars. priced now at more than £29,000, those at the bottom of the range - up to £39,000 would have a tax charge reduced hy more than 30 per cent. This would benefit companies such as Jaguar. Above £39,000, the tax charge

affecting about 20,000 - the

would rise by 35 per cent for cars costing between £50,000 and £60,000.

By using the price mechanism more strongly, the scheme also aims to encourage the use of more economical cars. In that context, the regime, if adopted largely unchanged, should give a significant boost to diesel cars.

The administrative argument in favour of the Revenue's proposals is widely seen as a strong one. Whereas, at budget time each year, car makers and fleet users alike have traditionally waited on tenterhooks for the revised scale charges in each Budget, to assess the likely impact on both car users and car sales, the Revenue's proposed new system would be broadly self-correcting. Each year, cars could be expected to drift up through the price bands, depending on prevailing rates of inflation.

Industry's reaction to the Inland Revenue's proposals

Market 'will still be distorted



that changes to the scheme as proposed by the Revenue itself are unlikely to be significant. There were, however, some broad areas of consensus: • that published list prices, rather than actual cost to huyer or other yardsticks, should be used as the basis for calculating tax; that most users are believed

Lamont's claims to tax neutrality notwithstanding - and that no more than 20 per cent of list price should be used to assess the level of tax liability; • and most significantly, that the Revenue had done the entire sector a disservice by not allowing husiness mileage thresholds into the

consultation process The question of mileage thresholds is one of the thorniest in the entire debate. ACFO describes many of its members as being "incredulous" that it should not be up for review. Mr Stewart Whyte, ACFO's spokesman and a director of the Fleet Audits consultancy

grnup, declares: "Withnut addressing this Issue, the review can he at best halfhearted. The current system of mileage adjustments is hopelessly anomalous and is widely accepted as generating a great deal of unnecessary business mileage just to exceed the thresholds."

The thresholds are under 2,500 husiness miles: 2,500 18,000 and nver 18,000. At each threshold, the assessed tax payable is halved to reflect a perceived progression from "perk" to essential car user.

Mr Whyte's argument, endorsed across much of the fleet sector, is that not only does the system waste fuel and company time and resources through drivers inventing business trips merely to lower their personal tax hills - hut It is arbitrary in making no allowances for differences in industry, operating patterns nr territorial factors.

S recession has deep-

ened, unemployment

has climbed and the

personal tax burden on com-

pany cars has risen further, the survival of the company

car as an integral part of the

business scene has become more than an academic ques-

companies, more than half of

the companies surveyed are

considering offering a financial

alternative to the company car,

although relatively few expect

to act before the fine detail of the Inland Revenne's revised

taxation of company cars can

be properly digested.
Significantly for vehicle
makers in particular –
because of the high business

car content of their sales - the Review research showed that

the "cash-for-cars" option is

being considered by 60 per cent

of companies operating larger fleets, of 50 cars or more.

The evidence of a strength-

ening "cash-for-cars" trend is

tion, writes John Griffiths.

own submission to the goveroment, advocating a sliding scale charge based un the ratio of private mileage to business mileage as an Indicator of whether a car is a "perk" or essential for business.

Under these proposals, if less than 5 per cent of total mileage was private, no scale charges should be incurred as the vehicle would clearly confer no tangible private use benefit. Between 6 and 35 per cent, 50 per cent of the scale charge is proposed, rising to 130 per cent where more than 85 per cent of a car's mileage is private.

Like other organisations which reacted to the Revenue's request for criticism, the company must wait until next month to find out whether any elements of its proposal have been taken on board. At least on the broad mileage

issue It is in accord with the British Vehicle Rental and Leasing Association, which claims that its industry currently buys 25 per cent of all new vehicles sold in the UK. The BVRLA, too, has expressed considerable concern that there is no apparent intention to change the 2,500 and 18,000mile thresholds.

It, too, disputes the government's assertion that the current scale charges "have moved much closer to realistic levels", claiming that they are now well in excess of the amounts required to cover average private use of a typical

Like the SMMT, however, the BVRLA advocates a scale charge structure based wholly on the published retail price of cars, and remains opposed to the price handing concept retained in the Revenue proposals. It supports the SMMT that even the new system would "inevitably lead to dis-tortions and bunching helow the price break points and continue to perpetuate some of the anomalies in the present sys-

"It is the BVRLA's majority view that a simple percentage of list price would avoid any unfairness at the top and bottom of the band and would avoid the distortions experienced with the current sys-

Among other critics. Mr Brian Friedman, managing director of Stoy Benefit Consulting, echoes the concern felt hy many manufacturers that the drivers who will be hardest hit - senior executives driving the most expensive cars - are user-choosers who will simply opt for cheaper vehicles. "The logical result will be:a general

downsizing of company cars." The Automobile Association insists that the Revenue's proposals are "unrealistic", unfair. will encourage inefficient. high-mileage driving and do nothing to correct what it sees as distortions in the new car

market. According to Mr Simon Dyer, its director-general, "work cars should be taxed on one factor alone: the actual value of the private benefit to the employee.

This should be calculated on the cost to the employer of providing the car, and the number of private miles driven

John Griffiths

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THE CASH OPTION

Threat to the company car

According to this year's annual Company Secretary's Review of company car poli-cies, which monitors the fleet allowance scheme activities of nearly 600 UK

Companies which have already made the switch

retain their cars and subject them to much tighter purchase and operating controls. minority which has simply

During the 1980s boom years of jobs chasing scarce skills, such debate as there had been

not quite so conclusive in another prominent company car policy survsy, conducted hy the Monks Partnership. Its research shows that 20 per cent of the 200 companies it surveyed had instituted a cash alternative, but that it appeared to be unpopular with

10 had taken it up.
Nevertheless, Monks' finding
that another 20 per cent of
companies may change their
policies this year and are also considering a cash option does indicate that a much closer evaluation of company cars is now on the corporate agenda.

employees. Only around one in

Mr Simon Rodwell, a director of Monks Partnership, is convinced that companies are holding back until the taxation uncertainties are resolved. "If higher priced cars were to be more heavily taxed under any new rules, this might make a cash alternative more attractive which, in turn, could

affect a company's attitude towards the design of its cash

include a number in the financial sector, such as J.P. Morgan and Bankers Trust. Others have studied the issue closely but have opted to

There is even a very small withdrawn its cars and offered only partial or nil compensa-tion. But these have tended to be companies lighting nff

about "cash-for-cars" tended to focus on whether it might benefit employees whose cars were primarily a "perk" and part of their remuneration package.

Now, with employers not only ravaged by recession but also having to pay, for the first time last year, National Insur-ance contributions on their employees' benefit for the pri-vate use of their cars, tha issue is being examined from the viewpoint of potential cost savings to the company.

Because company cars are embedded in the UK business culture, the cash-v-car assessment cannot be wholly financial. Employees place an obvious non-monetary value on them as tokens of status and esteem within a company; They also, surveys show,

not having to worry about maintenance hills. Factors such as these help explain the decision of

value the "no-bassle" aspects

of their company cars, such as

National Westminster Bank, which operates a widely-varied fleet of 11,500 cars, to reject the cash alternative and simply to operate the fleet more cost-effectively.

According to NatWest's Mr

Allan Robertson, "despite rises in taxation, most managers, if offered cash representing the true time cost of a car to a company would be worse off if they had to provide themselves with a car. Yet in most instances companies will not even offer what it costs them

to provide a car."

NatWest's approved list of manufacturers has been cut from 29 to seven and its fleet controllers themselves specify the cars and level of equipment, based on whole-life cost. Replacement takes place only when market conditions are favourable. When a car is disposed of, it still usually goes to auction but NatWest sets the reserve. Employees who have failed to take care of a car can face disciplinary action. Die-sels are being introduced with-

out the option. In the first 18 months of the new regime, Mr Peter Parkinson, head of group vehicle purchasing claims to have made savings of £1,750 a vehicle - or £20m in all and big savings continue to be made.

Contract hire gets short shrift. "Would you hand over your wallet or purse to a con-tractor who is trying to make a profit from you?" he asks.

There are other potential pitfalls. For instance, one executive was an essential car user in frequent contact with his company's customers. He took a cash option for his middle management car and bought an elderly Ford Escort for

which he claimed over 18,000 miles of company reimbursed mileage - at 40p a mile. That is why Midland Bank,

for example, insists that employees covering 18,000 or more business miles a year must have a company car, while offering lower mileage employees a cash option. Fleet managers are starting

to learn to their cost that the closer they look at the cash-vcar issue, the more complications seem to arise. Another recent one, arising from soar-ing car thefts and so-called "joyriding", is the rise into four figures of the typical premium for the GTis of young

City executives. Factors such as these do so much to complicate the efforts of fleet management analysts to come up with a relatively simple formula hy which the cash versus car benefit can be calculated.

However, Mr Clive Tulloch, a partner of Coopers and Lybrand, argues: "If the cash is an altsrnative which the employee can choose instead of a car, it need not be set at a generous level, especially if the purpose is to provide an alternative to the car for those for whom the car is an expensive option. If cash is an option which employees are free to ignore if they wish it could simple be set at a figure which does not increase the employ-er's cost."

If a mandatory cash scheme were introduced for all employees it would theoretically require - because of milear and other factors - that different amounts should be paid to those who had been provided with the same level of company car.

In practice, however, employers would be likely to offer the same cash sum to all employees who had operated similar cars. And since that would create winners and losers, the overall cost would rise as a result of the company's understandable desire to minimise for morale and associated reasons - the number of "losers".

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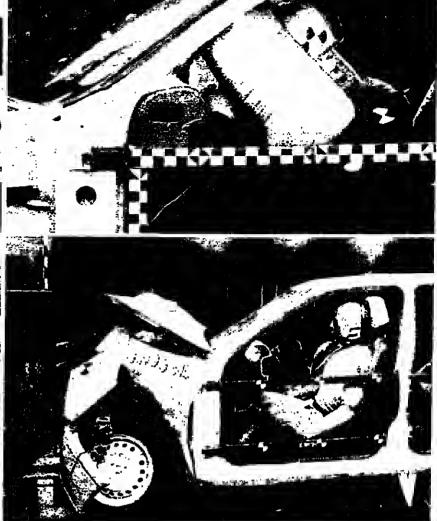
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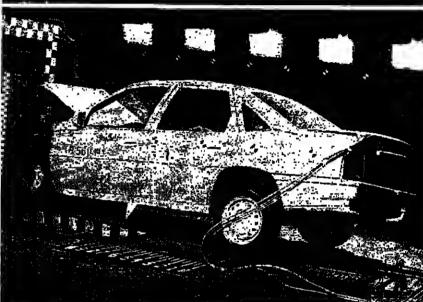




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Here's the first body-blow to the Vauxhall Cavalier's competition.

The Cavalier is now even better.

A few of the changes we've made, the competition might have expected.

Like the new front and rear bodycolour bumpers. The new bootlid panel. The new, sleeker-looking headlights. The new trims. The three new colours. The new body-colour grille.

And, on many Cavaliers, the new alloy wheels. But what the competition will certainly not have anticipated, and which might well put them in a state of shock, are the remarkable new safety improvements which make the Cavalier as much a cocoon as a car.

with a driver's side, full-sized airbag available as standard. Full-sized you'll notice and not the smaller, so-called 'Euro-bag' favoured by the competition.

It's a safety device designed to significantly lessen the impact on a body hitting the steering wheel during an accident. By cushioning a large area of the chest, it greatly reduces the risk of fractured ribs and other chest injuries.

Every Cavalier also comes equipped with new twin side-impact protection bars in all doors. The bars greatly reduce the risk of injury in the event of a sideimpact. And a steel safety cage and reinforced B-pillar are there to increase protection still further.

Also standard on every Cavalier are

'bodylock' front seat-belt tensioners. Tests have shown that these tensioners can reduce the severity of head and chest injuries by as much as 20%.

The ABS (Anti-lock Braking System) is now standard on most Cavaliers.

These, and many other advantages, make the Cavalier one of the safest and the most stylish cars in its class.

And with 3 new engines (including the 2.5 litre narrow-angle 24-valve V6* and the 2-litre Turbo) you'll find absolutely nothing lacking in the Cavalier's performance. Indeed, you

might care to know that, in the 1992 Esso RAC British Touring Car Championship, the

Vauxhall Cavalier 16-valve walked off with both the Team Championship and the Manufacturers' Championship.

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THE NEW CAVALIER.





Every Cavalier comes equipped

Leasing still faces frontiers

France, which calls its con-

tract hire locotion longue

but other companies such as

VAG, Pengeot and Opel are

making inroads. Finance leas-

ing is a popular means of

hire is still relatively small

It is even smaller business

for the employee if the car is

bought by the company rather

than leased: as a result con-

tract hire has only a tiny per-

Holland is a relatively

"Quality of service and cus-

tomer lovalty are not high on

the list of priorities," com-

ments Mr Neil Pykett, manag-

ing director of Cowie Inter-

leasing. He predicts that UK

contract hire operators may see Germany and France as

likely markets in which to

lease products on the market

acquiring vehicles. National

lease rates.

expand in the near future,

mature market as far as contract hire goes but its customers are traditionally geared

centage of the market.

towards price only.

acquisition but full contract

tors at bay.

THE UK's vehicle leasing industry is the EC's most developed and sophisticated hy a significant degree, so the advent of the single market in Europe presents unparalleled opportunities.

The removal of trade barriers should lead to a growth in husiness and leisnre travel and an increase in the pan-Enropean movement of labour.

According to Mr Freddie Aldous, president of the European Car and Truck Rental Association, "for British-based leasing companies, the single market offers a ricb prize: wider markets, increased flexihility and a host of new oppor-

However, the UK's leasing and contract hire specialists in Spain, where the current will not be storming Europe tax regime means it is cheaper overnight; and any forays into Europe are likely to be careful and slow. The reason is that, despite the best efforts of the EC Commissioners, each individual European market retains its own specific charac-

DIRECTORS	1989	1992
DILLOTONO	%	%
Germany	80	97
Netherlands	84	94
UK 1	98	94
Italy	83	93
Belgium	82	93
Spain	85	91
France	83	89

importantly, lts own fiscal

blundering into France or Spain and expect to run a vehicle leasing operation on the same lines as their homebased business; so growth in Europe is most likely to come about as a result of joint ventures with a local husiness that fully understands the local marketplace.

That is the view of Mr Norman Donkin, chairman of AT&T Norfolk Finance. "In the expand into Europe, though how has still to be determined. But we also need to be canwell-founded company or to go into partnership with one. The up alone and in isolation."

Though Britain has the lead ln contract hire, lt ls not Europe's largest business car market. Germany is at the top of the tree as far as numbers are concerned with a business car parc (population) of almost 4m units. The more sophisticated European markets -France, Belgium, Holland and

In Germany, most company car business used to be undertaken by finance lease. However, companies are now vehicles towards contract hire.

Martin Derrick finds out how operators are financing acquisitions 'No hassle if you hire'

A RECENT survey of asset acquisition trends by Lombard Business Finance reveals that businesses hard-hit by the recession are still retrenching and plan to make fewer asset purchases in 1993. What the

duree, has seen its leasing business dominated by the "Sonrcing of Finance by Brithome-based manufacturers in ish Business" survey also shows is that of those compathe past. So far, the big three Renault, Pengeot and nies that do intend making Citroën - have kept the indeacquisitions, the current trend pendent contract hire operaon financing methods is towards a cautious approach, Italy, too, was once almost with a high proportion of comwholly dominated by its major panies favouring self-financing domestic manufacturer, Fiat, where possible - except in

vehicles. Here, there is a marked decline in the use of instalment credit (hire purchase/lease purchase) and a corresponding increase in the use of leasing and contract hire.

The reasons are not hard to find. Not only does contract hire free capital within a business, but it also reduces a company's administrative burdens and allows it to concentrate on the core business important than ever in difficult

trading times.

Oil put its fleet of 160 cars into the hands of PHH Allstar. During a review of internal costs it became apparent that company car administration was taking up too much management time. Mr Paul Henshaw, Gulf Oil's contracts manager, says: "PHH Allstar put forward a proposal to take over responsibility for managing all aspects

"The arrangement is self-fin-Releasing capital tied up in the fleel through

a sale and lease-back

deal makes sense ancing and after six months it is already clear that the operation is extremely cost-efficient. The cost of the fleet manage-ment fee is covered by the reduction in maintenance

Mr Roderick Simpson, assistant managing director of Gardner Merchant, the contract catering organisation, which runs a 1,200-strong fleet, tells a similar story. "Gardner Merchant offers

and experience. It was logical to hand over the running of our fleet to a company which provides a specialist fleet management service in order to reap similar benefits

"Administering the fleet internally was taking up an increasing amount of time and staff could only react to problems that arose with the fleet, rather than plan and ensure that these problems didn't hap-pen. We decided we were better off concentrating on the business we knew best - catering

- and handing over the mangement of the fleet to a specialist. We are making a net saving, even taking into account the service fee." Reducing internal adminis-

trative burdens is one good reason for switching to contract hire or fleet management but it is by no means the only one; and during a recession many companies have found it makes sense to release the capital tied up in the fleet through some form of sale and leaseback deal.

That was the main reason

prompting retail group Aquascutum recently to change from owning and running its own 100-car fleet to opting for full contract hire with Fleet Management Services. "They saw the advantages of releasing the considerable capital employed in the cars and they wanted a professional company

to run the fleet both to save on

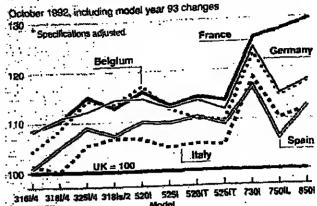
management time and to

ensure it was being operated in the most efficient possible way," says Mr Pete McAree, sales director of FMS. But as more companies switch to contract hire or fleet management, it is not only the national and multinational fleet and leasing specialists which are picking up this extra husiness. Many Individual dealers, supported either by their manufacturer-importer,

or by one of the larger hire, last year we added 40 and companies such as Dial this year we will add another Contracts which has launched a franchise system allowing 60 to the portfolio." dealers to take advantage of the economies of scale Dial can offer in terms of funding and

vehicle acquisition, are also the growth potential for dealmaking local inroads into the

BMW European retail price comparison



contract hire market. "It is definitely a growing area of the market for us". saye Mr Stepben Cliff, business manager at BMW dealers Coombs of Gulldford. "Many businessmen and women are sick to death of owning cars and now simply want them provided with no hassle and funded with someone else's money. Three years ago we had five vehicles on contract

Those are not big numbers in comparison to the contract hire specialists with up to 60,000 cars on their books but

ers is clear - and the custom ers seem to like what they gel from a local firm.

One of Coombs' contract bire customers is Roskel Contracts which runs around 50 cars on its fleet. Mr Roger Harris, a director, says they changed from purchasing cars to contract hire for simplicity's sake: "I'm told there are tax advantages, but that wasn't the reason. Contract hire is so much easier. If we get a rogue car, it's not our problem but the contract hire company's.

"We know exactly what each car will cost so it takes all the hassle out of running a fleet. All the niggles are passed on to the contract hire company."

teristics - and, perhaps more

British companies cannot go

fuliness of time we plan to tions. So I think the ronte would be either to acquire a last thing we would do is set

at the end of the decade." he But despite the variables, he does discern one trend; a marked shift in Europe away from purchasing vehicles in favour of leasing or contract hire. "It will account for around a third of the market by the year 2000, compared with a current market share of Italy - are all experiencing strong growth in contract hire. 21 per cent," says Mr Elder though he warns: "Bnt once again, the lack of true har-

moving away from purchasing which is known as "kilometre

That is why, a year ago, Gulf N 10 years, the diesel car has changed from being a curiosity into the logical some regard for fuel economy and environmental protection. At least, it has in Britain, In many mainland European countries the diesel's ability to

cut the cost of motoring has

been well-known for a long

However, the single market for vehicle leasing will not While diesel's share of achieve its potential until full annual UK registrations has tax harmonisation becomes a risen from I per cent in 1982 to reality rather than a myth, 12.6 per cent last year (200,835) says Mr Ron Elder, managing cars), there is still a long way to go hefore penetration matches that of France. There director of Avis Lease and "Each EC member state still with both horsepower-based operates its own tax jurisdicannual tax and fuel duty favouring diesel cars, they tion regulating VAT, exclse dnties, benefit-in-kind and ad hoc car taxes. All of these have routinely been chosen by high mileage drivers and now affect the attractiveness and account for more than 40 per suitability of the range of

cent of registrations. Until recently, fuel economy, compared with other means of long engine life and reliability had been the strongest cards in the diesel car's suit.

governments also retain con-trol of domestic interest rate Typically, a diesel will achieve a year-round fuel structures which impact local consumption hetween 20 and "Add these to national varia-30 per cent less than that of a tions in car delivery costs, comparable petrol-engined car. maintenance costs and resid-Higher economy gains are ual values and the estimated time of arrival of true pan Euachieved in heavy traffic rather than motorway driving ropean leasing is somewhere as the diesel engine performs best when producing less than full power.

> when used continuously on short journeys involving many cold starts. Because it burns little more fuel when warming up than it does when running normal working temperature, its consumption may be only ball that of a similar petrol car during the first 10km of a winter journey after starting from cold.

monisation within the EC may This benefit is not fully serve to stifle the development reflected in the official of one of the most advanced Department of Transport fuel leasing products available." consumption figures. These are obtained by simulating traffic Martin Derrick driving, as well as 90 kmh (56





in five Audi 80s sold in Britain will be direct injection turbo-diesels The Citroën ZX; outperforms petrol-engined cars of its size and price

Stuart Marshall on why British drivers are now more interested

Budget hopes for diesel

mpb) and 120 kmh (75 mph) constant-speed cruising, with the engine at full working temperature. Life is much harder in the real world where diesels can show more than 30 per cent greater economy when used mainly in stop-start. fairly low speed conditions.

Smoke helching, ill-maintained and often overloaded lorries do nothing for the diesel engine's image as an environmentally acceptable power unit. Many believe a diesel car is inherently dirtier Equally, a diesel car shines than a petrol car, especially one with a catalytic converter. That is not so.

A diesel produces only a fraction of the amount of poisonous carbon monoxide created by a petrol engine. Its output of carbon dioxide - the so-called greenbouse gas helieved to be the cause of global warming - is lower because it burns less fuel. Less energy is used to produce diesel than petrol at the refinery.

Although its emissions of nitrogen oxides and sulphur dioxide are worse than a petrol

engine's, overall a diesel is less damaging to the environment than the average petrol engine with an exhaust catalyser. Now that many car diesels are being fitted with simple oxidation catalysers, the balance of advantage is tilting further in their favour.

But by itself. environmental argument would cut little ice with

Engine design changes have improved the comhustion process, reducing particulate emissions (in other words, smoke) at source. Two-stage injectors have reduced the diesel engine's disagreeable knocking immediately after cold-starting and almost eliminated it when idling.

EC proposals may lead to a greater price differential between unleaded petrol and diesel. And the threat of a carbon tax can only increase the appeal of executive-class diesel

husiness drivers and fleet that matter, the executive managers if diesel cars were significantly less pleasant to drive than petrol cars. They used to he slower,

noisier and generally harsher to drive than their petrol engine counterparts but a great deal has happened over the last decade. Turbocharging and intercooling have significantly raised output and, by way of a spin-off, made the car diesel engine smoother and

The fleet manager and, for

Peugeot-Citroen (PSA) is the

acknowledged leader in small

(5.65 1/100 km). user-chooser deciding to go Among other diesels that perform exuberantly but quietly enough to be used as diesel are now faced with an embarrassment of choice. The days when only a handful of police patrol cars are the manufacturers offered viable diesel options have long gone. Almost every make of car from supermini to senior businessman's saloon is now available with a diesel (and often turbo-diesel) engine.

Vauxhall Nova (Opel Corsa) and Astra, powered by engines supplied by General Motors' Japanese partner, Isuzu. In Britain, most of the growth in dlesel car registrations has been at the lower end of the market with

engines of under two litres

production. Its engines are

used in a wide range of cars of

its own and other makes, from

the small Citroën AX, Peugeot

106 and Rover Metro to the

medium-sized Peugeot 405 and

Citroen BX, which is soon to

be replaced by the Xantia. At

present, the 12-valve,

4-cylinder, 2.1-litre PSA diesel

is exclusive to the Citroën XM

Indeed, the best of the

modern diesel cars, such as the

Citroen ZX turbo diesel.

actually outperform some

petrol-engined cars of comparable size and price

while returning around 50 mpg

and Peugeot 605.

capacity. Current inland Revenue rules impose a heavy tax penalty on drivers of over two-litre diesel cars. (The rules ignore the fact that a diesel engine needs more cylinder capacity than a petrol engine to produce a given amount of

However, the disincentive of tax banding based on engine size to the use of executiveclass diesels will probably be swept nway when Mr Norman Lamont, the chancellor, presents his next budget. EC tax harmonisation proposals may also lead to a greater price differential between unleaded petrol and diesel. The threat of a carbon tax can only increase the longer-term appeal of executive-class diesel, especially as it uses less fuel.

Despite the tax disadvantage, UK sales of upmarket diesels went up last year. Mercedes-Benz sold 33 per cent more 190D saloons and 45 per cent more 300D and 300TD diesels in 1992 than the year before.

More startling was VW-Audi's 286 per cent and Vauxhall's 307 per cent year-on-year increase in diesel car sales last Octoher though this was mainly due to their introducing greatly improved models.

Diesel executive car sales will be boosted later this year when RMW helatedly enters the UK market with its supersmooth 6-cylinder engined

These, and Audi's powerful yet frugal direct-injection 60 and 100 turbo-diesels, will give quality and image-conscious business diesel car drivers an alternative to Mercedes-Benz, whose diesels are still unmatched for silence and urbanity. And exceptionally, Mercedes Benz offers antomatic transmission on every one of its diesel models. Few others do, though Citroen (the XM) and Vauxhall (the Carl-

UK motorists are more than Iwice as likely to suffer from car crime than they were 13 Conservatives came to power, according to Mr Tony Blair, Labour's home affairs spokesman. He says that each year one in five drivers will either have their cars stolen or broken into, writes Martln

that its Car Crime Prevention Year has an advertising and promotional budget of £5m and tbat during the first tbree months of the campaign, car thefts were down 7 per cent.

The Home Office response is

Leaving aside the political point-scoring, the fact remains that car crime is at epidemic levels - so much so that it now distorts the new car market. Insurers are either refusing to cover or demanding

performance cars that seem to be the major targets. The result has been a significant fall in demand for hot

The government's response is primarily that it is up to the motor manufacturers to provide better in-car security measures, and the efforts of the Britisb Vehicle Rental and

Insurers are demanding massive premiums for high performance cars

Leasing Association over the past five years to persuade manufacturers to do just that are finally bearing real fruit.
The BVRLA instituted an annual anti-theft award in 1989 and in the first two years it

hatchbacks and CT models, both new and used.

ject at all seriously at that time. No award was made in 1991, but a well-deserved winner last year was Rover for the highly sophisticated measures - including a standard ultrasonic alarm system - on the revised Rover 800 Series cars. Happily, the BVRLA judges are going to have their work cut out to decide on the 1993 recipient, because virtually all

major manufacturers have

now been persuaded that

security is an important selling

point and that the cost of

providing improved protection

is outweighed by the commer-

Rover is likely to be a frontrunner again since it bas launched the 200 Coupe range, fitted with the same infra-red central door locking and ultrasonic alarm system as the larger 800. Even more pointedly, it has fitted as standard all Metros for the 1993 model year with an immobilising sysume manufacturer has done so at the lower end of the market. And although it will not discuss future products, a new 600 Series will be launched in the spring and it is reasonable to speculate that this model will

Security now a selling point incorporate advanced security

> Similarly, what Ford expects to be its biggest-selling fleet car, the Mondeo, which is launched in March to replace the Sierra, features a visible VIN number, high security door locks operated by sleeved cables and sbielded from attack by protective steel plates between the two door skins, and an optional deadlocking system combined with an anti-theft alarm which also immobilises the starter motor. A state-of-the-art protection system is standard on the

Escort RS Cosworth which involves not just deadlocking and alarms but also a Vecta immobilisation system that

requires a second electronic key to disarm it. Vauxhall, like Rover, is now bringing improved anti-theft measures to the lower end of the market with deadlocks available on all models in the new Corsa range which goes on sale in April. A security alarm and engine immobiliser is also standard on 65-versions and optional on all other mod-

Porsche has just launched an

immobiliser system which, like the Escort Cosworth's, requires a high security microchip key to be fitted into a dashboard housing before the car will start. Porsche claims that with over 35bn key combinations, no two codes will ever be the same and as a result Norwich Union is offering an insurance discount to customers who have the immobiliser fitted to

Porsche owners get a discount if they have an Immobiliser litted

their Porsches.

In many ways it is insurance companies which stand to benefit most from improved vehicle security and this is why Mr Derick Perkins of Fleet Management Services says they should do more to contrib-

ute towards research to help manufacturers Improve the security of vehicles: "Total vehicle security is still a long way off and needs considerable research before manufacturers are in a position to know how to deal with the problem effec-tively," he says.

ton) are notable exceptions.

Perhaps long-term, research being undertaken by Ford will provide the answer to car theft. Its proposed "Star Wars" system uses satellite technology to pick up signals sent out by the electronic engine manage ment system of the car in the event of theft. A signal is then sent back from the satellite which etops the engine, applies the brakes and triggers an alarm. Combined with the sort of location system already used by Datatrak to follow highsecurity trucks and vans, it could also alert police to the exact position of the car.

TO TRIM YOUR TRAILER C

How crime is distorting the new car market

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Instead of a miracle, try management

which can travel only 27 miles pany urgently needs to reduce the cost of running its fleet, a to a gailon of fuel when on business to cover 40 miles to the gallon when the car is memo to all company car drivbeing driveo privately by the ers saying that their fuel consame driver. sumption is heing carefully A careful inspection reveals monitored and that fiddles will not be tolerated "will reduce the miracle switch to be an

STEWART WHYTE holds up a

smoll, hrightly-coloured hox

which he claims is the

"miracle swilch" that car

companies are incorporating

on many vehicles. This simple

device, be says, coables a car

Size of Iteet

Representatives

Middla management Senior management

Directors/partners

Other office staff

empty cigarette carton covered fuel costs that week." Petrol and diesel pump That is how Mr Whyte, prices have not riseo at anymanaging director of Fleet Audits, a vehicle fleet thing like the rate of inflation for some years but that might consultancy, injects some humour into the sarious subject of controlling fleet costs during his training

be change in the next UK hudget. The government has hinted that it may recoup the income lost in removing special car tax by lifting vehicle He points out that, if a comfuel duties. There is also the

10-19 20-49 50-99 100+

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prospect of a "carhoo tax" being levied on petrol as part of the government's eoviron mental policy.

Mr Whyte says fuel already constitutes an important part of total fleet costs and, from Fleet Audits' experience, too many companies ignore abuses such as blatant fiddling, aggressive driving styles which produce high fuel consumption or a lack of journey planning to minimise the distances cov-

There are some indications that the recession is making an impact in this area. Latest earch hy the Monks Part nership remuneration consultancy, to be published in its annual "Company Car Policy in the UK" survey later this year, shows that 62 per cent of the companies questioned now issue drivers with fuel credit cards which can be used only for buying fuel and limited quantities of associated products such as oil or windscreen cleaning liquid. A year ago only 53 per cent of companies were using these cards.

However, the latest estimates also reveal that the number of companies which slmply reimburse their car drivers for receipted bills has gone down only slightly, from 49 to 47 per cent, and this is a

fiddling. Fuel is just one element in

the cost of running a company car fleet. With each oew car today costing on average

method which lends itself to the previous survey. Furthermore, 34 per cent of the companies monitored running costs merely by checking petrol consumption figures against expenses claims

CRITERIA IN ALLOCATION (figures in percentages)						
Size of fleet	[Total]	6 -9	10-19	20-48	50-99	100 +
Seniority	84	83	84	85	86	a1
Mobility need	70	65	67	7a	59 35	75
Recruitmant need	26	18	13	25	35	44
Work incentive	17	10	19	1a	18	18
Minimum annual mlieaga	9	-	4	a	a	27
Minimum salary	4	1	1	ī	3	13
Others	2	- :	1	3	a	3

between £10,000 and £12,000 and annual running costs of between £4,000 and £7,500, a relatively modest fleet of SO cars has a capital replacement cost of at least £500,000 and an annual operational budget of

more than £250,000. Yet the barsher economic climate of the past two years does not seem to have encouraged companies to improve the monitoring of their car fleets. Company Secretary's Review maga-zine's 1992-93 aurvey of company car schemes, published by Tolley, showed that 28 per cent of the companies questioned do not monitor costs ot oil, This is precisely the same percentage as reported in

Only 54 per cent said they kept detailed records of the cost of each vehicle.

Fleet Audits' Mr Whyte suggests that many companies never bring all cost alements together - the accountant deals with depreciation in the balance sheet; fuel, insurance and maintenance are lost within "salesmen's expenses funding costs are the finance director's responsibility. "With no overall picture of how the costs huild up, or what the total annual expense is, there is no basis of proper and effective cost control.

It is essential, he says, to have correct information about business mileage covered by

change to employers' National Insurance contributions to shake some companies out of a lethargy about mileage infor-mation. "Mileage recording is not difficult and is a pre-requisite of almost every cost factor," says Mr Whyte.

the fleet hut it took the recent

For example, it is needed to make a balanced judgment about moving the fleet from netrol-engined to diesel cars. something which many companies might have to consider if a carbon tax on fuel is introduced.

It was not so long ago, when hig price premiums were charged for diesel cars and the cost of maintaining them was perceived to be greater than for petrol vehicles, that it was necessary for a car to cover 17,000 to 20,000 business miles year to break even. Today, Mr Whyte suggests, the annual business mileage could be as low as 7,000 to 9,000.

Companies are also using out-of-date methods of car allocation, he says. "Most managers accept the principle that vehicles in the same class can have widely different cost and reliability profiles. Most then fail to follow this through and allow vehicle selection on the most unreliable indicator of all

Most companies silli own their car fleets outright, so residual value is a key ingredient in fleet costs. Too many do nothing to maximise residual values - Mr Whyte points out, for example, the cost of a decent valet at £30 will usually increase residual value by £100 to £250 - or to encourage employees to look after their

According to the Company Secretary's Review survey, 42 per cent of the companies they polled sold their cars directly to employees, which Mr Whyte suggasts is highly cost-inefficient. The survey continues to show that very few companies offer employees an incentive to maintain their company cars in good condition - only 4 per

Too many companies have not changed their car replacement policies for decades even though vehicle technology has improved tremendously while at the same time, given the state of the johs market, employees have become less anding, Mr Whyte points out. "It is important that the responsible director examine all the issues rather than slavishly continue an outdated tra-

Once again the recession seems to be having an impact

io this area. For example, the Monks Partnership found that in the past year the perceptage of companies keeping their cars for between 60,000 and 70,000 miles had risen from 34 in the 1992 survey to 38 this year and those keeping their cars for more than 70,000 miles was up from 27 to 35. Also, those companies keeping their cars for between three and four years had risen from 27 to 29 per cent while those keeping cars for four years was up from

2 to 3. Mr Whyte says another common theme in company car fleets is a lack of driver discipline. Management fails to set standards or to take sanctions against those who breach the rules. One way this impacts costs is that fleet insurance charges are generally increasing by more than 25 per cent a

Mr Whyte says that Fleet Audits regularly identifies savings in annual costs of hetween £300 and £1.200 a vehicle simply hy applying the and controls to the company car fleet as are applied else where in the organisation.

The bottom line is that "businesses simply under-manage their fleets. A competent fleet manager with adequate resources to deal with the fleet operation and manage it proactively is undoubtedly an expense. But in most companies that expense is likely to be repaid many times over hy the savings generated by effective

ACQUISITION POLICIES

CAR ALLOCATION (figures in percentages)

6-9

5 3 4

[Total]

63 90 89

Count the cost, not the ozone

CARS CREATE more than tors had had a "significant" their fair share of pollution, some environmentalists suggest, and they damage the ozone layer. In the UK about half the new cars sold are booght hy companies. Yet environmental concerns are having very little impact oo company car acquisition policies.

Fleet maosgers are still primarily interested in financlal criteria wheo choosing cars for their fleets. For example, the 1992-93 survey of company car schemes hy Company Secretary's Review magazine, published by Tolley, shows the cost of the car is hy far the most important consideration when companies are deciding which cars to huy. The discooot available, resale value and fuel consumption also rank highly

The most popular "green" response was the use of unleaded petroi in fleet cars

in acquisition policies.

Most car fleet decision-makers do not think the availability of a catalytic converter on a car makes it particularly desirable. They place it at the bottom of a list of desirable factors that the magazine put forward for consideration. However, snother survey

shows that anvironmental concerns are gradually penetrat-ing the minds of decision-makers, even if reaction to these concerns is limited. According to Hertz Leasing's

report, "The Company Car in Context," 51 per cent of those responsible for car acquisition policy agree that running a flect cootributes to the UK's environmental problems. But what are they doing about It? Hertz Leasing found

that 79 per cent had considered using unleaded petrol, 47 per cent had evaluated specifying catalytic converters, 38 per cent had considered dlesel engined cars, and 7 per cent bad thought about using smaller engined cars in the Hertz says the most popular

"green" response - the use of unleaded petrol in fleet cars was predictable as all new cars delivered in the UK have had to be able to run on unlesded fuel since 1989 and the price differential between leaded and unleoded fuel acts as a financial incentive for a switch to unleaded. The report olso points out that this switch does not do too much for the environment because unleaded fuel emits about the same level of carboo dioxide, nitrogen oxides and hydrocarbons as its leaded equivalent.

Hertz also suggests that "It is likely the blgb statistic for catalytic converters is related to a lendency for more expensive, manager/director cars to have them fitted as standard equipment".

There was considerable resistance among fleet managers to the use of diesel, said to be a more efficient, cost-effective and less environmentally damaging fuel.

llowever, they seemed "highly predisposed" to using circtric cars ooce these vehicles become a vinble proposition and 70 per cent said they would consider adding

them to their flects. Of the companies surveyed, 23 per cent boldly told Hertz that environmental factors had not the slightest influence on their company cur acquisition policies. However, a similar percentage said such facinfluence.

It was to be expected that UK companies would be more interested in saving money than saving the planet when acquiring cars, after all they have heen struggling in the worst recession for 60 years and first things have to come first.

Essentially, corporations have three choices available whee huying cars: outright purchase or finance lease with in-house management; purchase or finance lease with ontside management; and contract hire (operating lease) with lease company manage-

There seems to have been a

substantial shift in sentiment at big companies away from outright purchase as the recessioo began to hite severely in 1990-91. The Monks Partnership remoceration coosnitancy group reported in Its 1992 survey, "Company Car Policy in the UK," that, whereas the previous year companies reporting had booght 61 per cent of their cars by ontright purchase, tha latest statistics showed only 57 per cent were bought by this method.

Monks reported: "Contract hire and leasing have increased in popularity as a method of acquisition in larger companies, while there has been a return to outright purchase in smaller companies.

From the fleet manager's point of view, contract bire takes away nearly all the administrative problems asso-ciated with running a car fleet and permits clear and accurate budgeting. Of course, monthly rentals have to reflect the cost of providing this range of services, plus some profit for the contract hire company. However, contract hire companies running blg national fleets can ohtain huge discooots from the car makers and also buy

A shift in sentiment at big companies from outright purchase as the recession began to bite

their servicing and repair at only a fraction of the retail - henefits they can reflect in charges to clients. An alternative to contract hire bas recently emerged: contract purchase. Here the

customer continues to have

the advantages of fixed costs associated with contract hire a useful aid to accurate hudgeting - but can also claim writing-down allowances. This method tends to be beneficial for more expensive cars -those costing £22,000 or more. Monks Partnership reckons that about 3 per cent of companies are now osiog cootract

purchase compared with 24

per cent using contract hire. Company Secretary's Review looks at the market in a slightly different way - at the number of cars covered by different types of acquisition methods. Its latest survey sbows that contract hire and outright purchase account for 90 per cent of car acquisitions. shared about equally between the two methods. The magazloe says that the main attractlon cited for contract hire was thet no capital outlay was required, "with simplification budgeting and administra-

tion also very important." The magazine's study shows the vast majority of companies using contract hire bave a full maiotenance package.

Kenneth Gooding

HE CAR IN FRO

As soon as it was launched last May, the new Carina E

left its rivals behind. Its build quality and specification instantly made it the car in front. And its performance puts

it still further ahead. In 1.6-litre guise, the Carina E's 16-valve, fuel-injected

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its lean-burn technology makes it the slowest consumer of fuel. At 56mph, a gallon of unleaded stretches 57.6 miles.**

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A flock of new models and facelifts has broadened the buyer's choice, says Stuart Marshall

The fleet market this year may prove to be turbulent for the car makers but buyers are going to find themselves spoiled for choice.

First, Ford's new front-wheel driven Mondeo is replacing that fleet buyer's staple, the Sierra. From March onwards it will be locking horns with well-established favourites such as the revamped and significantly improved Vauxball Cavaliers and Peugeot 405s.

Mondeo, which from the outset will be offered as a 4-door saloon, 5-door hatchback or estate, promises to put new life into Ford's fleet business, Its styling is nothing like so distinctive as the Sierra's 10 years ago but eveo the entry model comes with a driver's side airhag and power steering.

Multi-valve 1.6, 1.8 and 2-11tre, 4-cylinder petrol engines with 5-speed manual gears are atandard. Ford's owo Dagenham-built 1.8-litre turbocharged and intercooled diesel will be a popular minority

It outperforms the 1.6 litre Mondeo but the figures suggest an average fuel consumption of close to 50 mpg (5.65 1/100km)

Goodbye Sierra, hello Mondeo

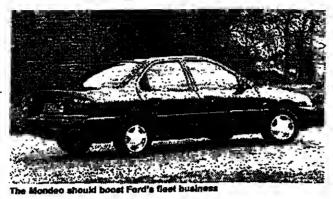
of diesel compared with 42 mpg (6.73 1/100 km) of unleaded pet-

There will be posh Ghia versions of the Mondeo with airconditioning as standard and a host of options such as traction control or four-wheel drive, a new US-designed 4-speed automatic transmission, leather trim and cruise control. These - and the forthcoming 2.5 litre V6 engined Mondeo - could tempt user-choosers out of their Scorpios.

General Motors and PSA msde pre-emptive strikes against Mondeo late last year. The Vauxhall Cavalier (Opel Vectra) and Peugeot 405 ranges have been restyled and, more importantly, refined.

Though hardly s fleet car, the Cavalier 4x4 Turbo with s 6-speed close ratio gearbox is either a cut-price Calibra with more room inside or a rival for Audi's upmarket quattro mod-

Peugeot, perbaps stung by criticism of patchy build qual-



lty, has given the latest 405 the solid feel of a BMW to go with its class-leading ride and han-

Though its UK market introduction is still several months off, the Swindoo-built new Honda Accord (and its Rover counterpart, the 600) will raise the stakes in the 2-litre executive market.

A dark borse that all the fleet car providers will be looking at is Citroen's new Xantia, due in Britain by summer, with petrol engines with sels following soon after. Xantia replaces the BX, which did much to establish

Citroen in the UK as a car for normal people, not just enthu-siasts. But it is bigger than the BX and elegantly styled with lines reflecting both the large XM's lean and hungry look and the smaller ZX's chubbiness. This sophisticated car, with electronically controlled semialkswagen's 2.8 litre Vanto: for executives when size is not everything

active suspension, is expected to be priced competitively against Mondeo and Cavalier. Will 1993 see the products of

Japanese transplants in the UK being regarded as proper Brit-ish cars by fleet managers and their financial masters? It should, because the Sunderland-built Nissan Primera and the Derby-built, Welsh-engined Toyota Carina E have around 80 per cent BC (and about 50

Magazines which persist in regarding motoring as a sporting activity, not personal transport, are scornful of the Primera's and Csrina E's alleged blandness. Real world drivers find them quiet, comfortable and economical. In reality, they are Ford, Vaux-hall and Rover alternatives. The psychological barriar against buying s "Japanese" car is the only thing likely to prevent them from making a

In the executive sector, the Mercedes 190 is still widely regarded as the benchmark car. Its replacement, due to make its debut at the Geneva Show next month, is likely to retain the position, with its high capital cost so well offset by slow depreciation that it can cost less to run over, say. four years than an apparently

The 3-litre and 4-litre V8 engines intended for the forthcoming new BMW 7-Series have replaced the in-line aixes in the current ones, making them even silkier. A BMW 730i V8 with 5-speed automatic transmission (or for that matter a two-pedal 24-valve Mercedes 320E) must approach many executive car drivers'

idea of perfection. Longer wheelbase Jaguar and Daimier Majestic models with 3.2-litre and 4-litre straight-sixes will not be avail-able in the UK until the summer, though the long-awaited V12 engined XJ6 is due to go on sale in April.

Meanwhile, a Daimler 4-litre may feel a bit soft around town hut as speed rises, it becomes a real driver's car. It would please a business driver who loves a traditionally English car, wood vencered and trimmed in (and perfumed by) Connolly's hide whose board won't allow him to have a

Bentley Brooklands. A trend in 1993 will be the increased availability of V6 engines in middle price range executive saloons. Among them are the Audi 100 and Volkswagen Vcnto, Vauxhall Cavalier and, before long, Saab

A good alternative to a V6 of between 2.5 and 3-litres is a smaller turbocharged 4-cylin-

No one has demonstrated this better than Saab. Despite - or perhaps because of - the recession, ita turbocharged cars bave sold exceptionally well. They, and recently introduced rivats such as the Citroën XM and Rover 800 with 2.0-litre turbocharged 4-cylinder engines, offer good economy when driven gently, with truly rousing performance on

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THIS YEAR promises to be critical for Britain's vehicle fleets. Three of the four domestic car manufacturers which dominate the sector will launch models in the mid-range categories that are most favoured by operators. The fourth will weigh in with a small hatchback. The outcome of these moves is uncertain, but they seem set to alter the shape

of the business. Ford starts the spring collections in March, when It unveils the eagerly awaited Mondeo. That event will be quickly followed by the launches of the Peugeot 306, Rover 600 and Vanxhall Corsa.

There is a buzz whenever one of these companies puts a new model on the market. When all four do so within three months, there is bound to be a substantial impact on flects - the business defined by the Society of Motor Manufacturers and Traders as orders of 25 or more, Together, Ford, Vauxhall, Rover and Peugeot account for four ont of five fleet car sales, compared

with three out of five sales for the

Fleet operators sesm to have weathered recent economic setbacks better than retail or private buyers, statistics suggest. As overall car sales went into steep decline in the 1990s, fleets have gained in importance. They grew from around a third of all sales at the end of the 1980s to about 41 per cent last year. While total car demand went down marginally last year. flect sales rose nearly 6 per cent. Britain'a Big Four are hoping their imminent new models will continue that growth.

The introduction which will have most impact is Mondeo, the replacement for the decade-old Sierra. As long-time market leader, Ford does not like the idea of the Vauxhall Cavalier as fleet best-seller. Its answer is to adopt front-wheeldrive for Mondeo (like Cavalier, unlike Sierra) and what it promises is a sophisticated specification. Mr Ian McAllister, Ford of

In spring, Britain's Big Four launch a free-for-all market as a whole.

> Britain's chairman and managing director, says of Mondeo: "It's a very impressive piece of machin-ery. I think it will do a tremendous lot for Ford's position in the market place." He is convinced this year will be

a good one for Ford. It will certainly be busy. Mondeo will make np for flagging Sierra sales. It arrives shortly after the company relaunched the Escort - No 2 on fleet buyers' shopping lists - with a fresh look and modern engines. Furthermore, Mr McAllister has two more niche models to lob into the market towards the end of this year, the Maverick off-roader (built hy Nissan in Spain) and Probe coupe (built by Marda in the US).

All that should help arrest Ford's declining lead in the first market. It lost around 4 percentage points to finish the year on approximately 29 per cent. By contrast, Vanxhall, the nearest challenger, crept up to nearly 27 per cent.

Head-on collisions

Pleets are vital to Vauxhall which, more than any other company, achieved its climb in the Brit-ish market through fleet sales. The General Motors-owned company's business at the retail end is static at best.

This year, however, Vsuxhall's main new model is in a category less popular with fleet hayers, small hatchhacks. Nova will be replaced in April by the new Corsa, a name used in the past only for

the newish Astra continues to sell well, and GM'a nsw, Ellesmere Port-built V6 engine will be offered as an option on the Cavalier this spring. That will put it ahead of Moodeo. which will have V6 engines (imported from America)

only from the end of 1994. Rover's big event will be in May. when it will present a true competi-tor for Mondeo and Cavaller. It is much needed, for the Montego, which was supposed to do the job. never gained wide acceptance among fleet or private buyers. The newcomer is the 600, a saloon to be made at Cowley. It will fit between the 400 and 800. Like them, it is based on a design by Honda, which

owns 20 per cent of Rover. Indeed, Honda's version, the Accord, is already in production at Swindon and on sale in mainland Europe. It will be sold in Britain from around the same time as its Rover twin.

By that time, Peugeot will have introduced the 306, the replacement for the 309 and a rival for the Escort and Astra. The car, a close cousin of the Citroen ZX, will be made at Ryton alongside the recently updated 405. The develop-ment should strengthen Peugent's standing in the fleet business.

Mr Geoffrey Whalen, Peugeot's managing director, recalls: "A decade ago we were predominantly s retail company. We had nothing in the Slerra catsgory until we started building the 405 at the start of 1988. That was the key."

The model allowed the company to create a fleet presence from practically nothing. It now ranks fourth behind Ford, Vauxhall and Rover, and well ahead of fifth place Renault. The 405 is expected to be

replaced by an entirely new model in the antumn of next year.

Of course, the Big Four will not be the only companies with new models this year. From the volume producers there will be replacements for the Citroen BX, Fiat Cinonecento and Uno and Renault 21. At the more expensive end there will be new versions of the Mercedes-Benz 190 and Saab 900. The Jagnar saloon will get a VI2 version. and the Volvo 850 will be offered as an estate. And last month Chrysler returned to the UK after an absence of 14 years with a conpie of Jeeps.

The unknown is to what extent those new British makers - Nissan in Type & Wear and Toyota in Derbyshire - will pursue fleet buyers. Their models, the Primera and Carina E, would slot perfectly into any fleet. So would Honda's British-built Accord, though that company regards itself as more of a competitor to BMW than Ford.

Richard Feast

insurance and leasing details

which they claim can be tai-

lored to an individual client's

needs, whether he huvs one can

For the future, the buy-back

scheme looms. Porsche already

has one operating for its 968

£36,000 for the car now can get

55 per cent of their money back

in three years, when the car has done 36,000 miles.

Big companies like Ford

(with Options) and Vauxhall

(with Choices 1-2-3) are also

moving towards buy-back.

They already offer a form of

personal leasing which allows

a customer to take a new car

for a fixed term and finance only its depreciation over the

Mercedes-Benz has a similar schems working for both its

new and used cars: it looks

particularly attractive as Mer-

Diesel makers submit to tighter exhaust rules, says Alan Bunting

The price of fresh air

dlesel-engined commercial vehicles must meet European exhaust emission limits on four different pollutants ~ three gases and dust.

It is relatively easy to cut emissions, but marketing men and engineers want to do it with minimum cost and loss of

Companies such as Merced-es-Benz and the proprietary engine maker Cummins have grasped the nettle by "wran-ping" the emission-related changes into s broader package of improvements. The cost penalties of meeting new environmental legislation from Brussels are hidden in a list price increase justified hy

Many manufacturers' engine horsepower ratings have been revised upwards to overcome the loss of hill-climbing and acceleration performance which would otherwise result from the tighter emission lim-

Independent road tests on the latest "Euro 1" (emission compliant) 38-tonne articulated tractor units from Mercedes, MAN, Scania and ERF show that the latest 400-plus horsepower models can complete their journeys more rapidly with less fuel than their 1980s

PROFIT

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counterparts. Among heavy trucks introduced in the past 12 months are Iveco's Enro-Tech and the 75/85-series models from DAF. Both have performed well under road test

Their cah and chassis designs have a refinement unknown a decade ago, which makes for safer driving over the longest inter-city hauls, at 38 or 40 tonnes all-up weight. Though their cabs and chassis mark them as undeniably new models, the EuroTech and

75/85 rivals are surprisingly conventional in the engine and The truck industry's more profound technical developments of the 1990s have appeared hehlnd the more familiar images of established heavies, notably from Sweden.

Scania is unique in offering a turbocompound engine - a 400 horsepower diesel whose exhaust gases are routed first through the familiar enforcedaspiration turhocharger, but then into a further small turbine (made hy Holset in Huddersfield) which drives directly on to the engine flywheel.

Turbocompounding raises the overall efficiency of the diesel engine to a new high of about 46 per cent, though its critics say its full benefits are felt only on continuous high-speed, high-load truck operation, such as American coast-to-coast running. Road test performance and fuel economy on the 11-litre Scania turbocompound have been satis-

factory but not epectacular. Meanwhile, Voivo has consntrated on making heavy trucks easier to drive, with the introduction of its Geartronic gearsbift system. It is the world'a first electronically-controlled mechanical transmission to be offered to commercial truck buyers which needs

It functions as a car-type fully automatic gearbox, but without the formidable cost, weight and fuel consumption penalties associated with ths latter's torque converter drive. Geartrouic is likely to edd some £3,000 to the price of a right-hand-drive Volvo FL10 chassis when the option becomes available in June. On all the latest specification

truck chassis there is a downside, in the form of additional tare weight. Engines tend to be heavier.

because of their more slaborate fuel systems, which are being called upon to deliver more precisely metered quantities of fuel at much higher pressures.

An intercooler - looking like a second radiator - has hecome almost unavoldable under the new emission laws. adding inevitable further weight. So too, of course, do "perceived value" features. such as wind spoilers and cab interior embellishments, which now tend to be standard rather than optional. At lower truck weights, nota-

bly at the HGV driving licence hreakpoint of 7.5 tonnes, competition is no less flerce, though buyers are more likely to look first at the selling price and then at the specification. Independant assessments of the three UK main contenders at 7.5 tonnes show the best-selling DAF 45-series, the Iveco EuroCargo and Mercedes' wellestablished 814 chassis to be all oparationelly-attractive

COMPETITON IN THE AFTER-MARKET

The need for longevity

A DECADE ago, the buyer received only one thing when he bought a car: a metal box on four wheels, covered grudgingly hy a rudimentary warranty sometimes as short as six mooths or 6,000 miles.

How the car fared after its first few months in service; whether it rusted or fell apart or broke its owner with hinge spare parts costs and service bills was the very last concern of the smiling salesman. He washed his hands of the deal.

Things bave changed dramatically. Compared with life in the early 1980s, today's car market competition is cut-throat, and the rise of consumerism - helped by the fact that the car market has been in the bnyer's favour since the end of the 1980s - has led business buyers to jodge a car on how it is supported in the after-market.

Fleet manager or user-chooser, today's business car operator is attracted by long warranties and free breakdown recovery deals, rust warranties and low service charges, "own brand" insurance schemes and fast-fit spares operations. And an increasing number want to bear, at the eod of their car'a life, how it will be recycled.

They are right to be con-cerned. A recent survey by City-based automotive consultancy Ludvigsen Associates shows that a car's retail price accounts for only 40 per cent of its whole-of-life cost. The remaining proportion consists of fuel costs (33 per cent) and standing costs, servicing and

Some car companies have reacted quickly to the trend, having learnt in the middle 1980s that the crowded car market was reaching saturation point and that repeat business was going to be crucial in the years ahead.

A salesman might sell the first batch of cars, one dealer group chief famously said, but the service department staff would sell the second, third and fourth In a bid to sell more cars to

its US clieotele, GM has receptly been eocouraging its existing customers to become Mastercard users, and then to "turn plastic into steel". Two million people reportedly became GM cardholders in the scheme's first six months. Vauxhall is believed to have its eye on the idea.

The biggest recent UK improvement in after-market care has been in warranty Every car has at least 12

months' unlimited mileage mechanical warracty these days, and some moch looger. In 1983, Mitsubishi cars began to carry a three-year unlimited mileage warranty, still ths

most comprehensive mechanical cover available in Britain as part of any new car's purchase price, and this has spurred others to improve their

cover. Most other Japanese makers and some Europeans now have three-year cover though many impose a 60,000 mile expiry

Jaguar, which introduced a three-year warranty last year, claims it caused sales to surge in August. Even the cheap Russian-built Lada cars have a two-year mechanical warranty. Those companies which cling to only one-year warranties (Ford, Vauxhall, Rover and, perhaps surprisingly, BMW

sche 911, doing 12,000 miles a year, costs less than £600 for annual servicing.
Because today's cars require less frequent workshop visits,

attention every 20,000 miles,

and the hill for this, even in

central London, should not be

more than £250. Even a Por-

manufacturers are anxious to keep customers loyal to their own dealer network. They have watched askance at the rise of chain car-servic-

ing businesses that stress low cost and while-you-wait convenience, such as ATS, Kwik-Fit and Halfords service centres. Nowadays, they fight on three fronts to keep business: by opening own-brand fast-fit

A recent survey shows that a car's retail price accounts for only 40% of its whole-life cost the rest is fuel, standing costs, service and repairs

and Mercedes-Benz) offer warranties at extra cost, stretching to five years and occasionally

Todsy'a cars also carry ao-called rust warrantiee, which are claimed to cover the car against corrosion from the inside or "perforation". Until the mid-1980s, that was a common problem in nearly all cars, though several Italian marques unfairly bore the brunt of the criticism.

These rust warranties commonly last for six years but the all-galvanised Audi term is for

Though manufacturers make much pley about presenting "plain language" warrantles. the truth is that rust warran ties are hard to claim against not least because some require regular, inconvenient inspections to retain their validity. Others still require a car to be regularly treated with rustproofing compound. Their main value, however, is that they have forced car-makers to improve rustproofing st manufacture so that it is simply not an issua in the car's first six or eight years of use.

The market hae been demanding lower service costs for years, but manufacturers resisted for quite a while, fearful that the move would harm their dealers' profits. Citroëc showed the way in the early 1980s with its "loves driving, hates garages" slogan for the BX family hatchback. Since then, most makers

have extended their service intervals and cut labour costs. Grease nippies, so beloved of 1950s and 1960a suspension designers, are a thing of the past. Nearly every car now goes 6,000 miles between intermediste "oil" services and 12,000 between "full" services. Today's VW Golf needs only about four hours' workshop

centres (Ford, Vauxhall and even luxury makers such as Saab have recently begun to do it), some (notably BMW) have made a big play of reducing spare parts prices and nearly all car-makers now bave a "menu" of servicing and repair costs for their cars, so that even a Mercedes-Benz or a Rolls-Royce owner can know what a job is going to cost in

Meanwhile, competition to impress after-market customers continues on an ever-widening front. Many companies offer "own brand" finance,

cedes cara lose value more slowly than most others. Recycling is an after-market ssue which has yet to raise its head in the UK, though few industry-watchers donbt that it will BMW recently became the first company to open s British car recycling plant, st Bolney in West Sussex.

Eventually, says the com-pany, 16,000 BMWs will be scrapped annually through recyclers. At that stage, the company will truly be looking after the car from the cradle to

Steve Cropley

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The scheme will mark the next step in the vexed debate over carmakers' pan-Eu-

ropean pricing policies. Publication of the price lists is aimed at belying car buyers to shop for bargains across EC borders. The lists, agreed while Sir Leon Brittan was EC competition commissioner, are almed at increasing the pressure on manufacturers to bring car prices more into line across the EC and to make it more difficult for car dealers to discriminate against foreign hnyers.

The investigation of carmakers' pricing policies across Europe is set to intensify over the next two years. In mid-1995 the present 10-year "block exemption", which controversially allows car makers to use a selective dealer distribution system in contravention of European Community competition rules, is due to expire.

The motor industry has been warned by the EC competition directorate that a renewal of the block exemption will depend largely on car manufacturers' adherence to EC limits on car price differeotials across Europe.

Kevin Done explains the next step towards harmonising EC car prices

Differentials will be published

was conditional in part on car prices between member states not differing by more than 12 per cent in the long term or by more than 18 per cent for periods of ss than a year.

During 1992 both the UK Monopolies and Mergers Commission and the European Commission published reports on car prices in Europe. Naither report removed the widespread confusion over price differences, but the EC report in particular drew attention to many cases where price differentials had exceeded the block

According to a survey late last year hy Beuc, the European consumers' organisa-tion, the prices of certain new models can vary by more than 40 per cent between countries. Manufacturers point out that prices are mostly within the 12 per cent band recommended by the Commiss Certainly UK new car prices, which have

previously provided consumer groups with much of their ammunition, appear to have been brought much more into line with tha rest of the BC through a combination of recessionary pressures and last Septemher's devaluation of the pound.

Motor retailars in the UK have been disappointed about the lack of action by the Office of Fair Trading in the wake of last year's MMC report, and they are particularly concerned about the price distortions that result from carmakers offering very larga discounts on direct sales to

some large fleet operators.

Mr Alan Pulham, director of the franchised retailer division of the UK Retail Motor Industry Federation, says that "tha MMC annual review spells out sevaral items which raise the price level in the UK, in particular the deep discounts which large fleet owners obtain from suppliers, which distort the price structure for other

Direct sales from manufacturers to large fleets at enormous discounts were not fair to motor retailers or their customers. "Such discounts have to be paid for hy everybody else and they effect both new prices and used car values."

The pricing debate has recently been widened beyond Europe, however, hy a report from Ludvigsen Associates, the UKbased automotive analysts, which claims that whatever the price differences within Europe, European car buyers in general are paying as much as 30 per cent more for new cars as consumers in the US and in

Ludvigsen Associates, which carried out the basic research for the MMC inquiry in the UK, claims that "the European car buyer is spending more than he should for personal transportation" both in absolute terms and in relation to household income. The report was tha first co-ordinated

attempt to compare car prices between

Europe and the other main world markets, the US and Japan. According to the study, the largest dif-

ferences are with car prices in Japan. It claims that European car prices (net of tax) are 33 to 43 per cent higher than equivalent prices in Japan, while European prices are 15 to 45 per cent higher than in the US.

Oo average, it takes 27 weeks of gross family income for a European to huy a car compared with 21 weeks in America and 15 weeks in Japan. The UK is at the European average, while the Germans, French

and Belgians need four weeks less.
The Commission's plan for the biannual publication of price lists is not legally hinding, but EC officials have indicated that if carmakers do not co-operate they will risk losing their jealously guarded right to operate their sales and distribution through exclusive dealerships. Every manufacturer that sells cars in

USED CARS

the Community will have to select a representative model from each part of its product range and publish the prices in 10 EC countries. The carmakers will also have to supply information about the price of five common options - anti-lock braking systems, air conditioning, right-hand drive, automatic gearhox and power steering - and details of warranty, roadside assistance options and delivery costs.

Prices, published in May and November every year, will be shown both before and after tax, in Ecu and local currency, Comparative figures for Denmark and Greece where car tax of more than 100 per ceot

distorts selling prices - will be omitted.

The Commission agreed to drop its original demand that manufacturers should supply information ahout all possible models and options on the grounds that it would be too time-consuming for manufacturers and confusing for consumers.

Manufacturers are still likely to argue that realistic comparison is difficult because dealers in some countries are prepared to offer large discounts on the list price of certain models.

However, they will also hope that by being more open about comparative prices they will stave off the abolition of selective distribution.

Not surprisingly, dealers the north-east dealer group

CONTRACT HIRE

Shake-out may be near end

AFTER a spate of acquisitions, contract hire seems to be absolutely the flavour of the month. But the reality is rather different.

Those companies that have been expanding through acquisition are doing so only extremely cautiously and selectively. In the 1980s, when contract hire took off, the rapid growth of the industry persuaded many newcomers to the business that this was a source of easy monay. And indeed, while there was constant growth, that regular new husiness tended to disguise the structural problems that became all too evident once the recession took firm hold.

Several smaller contract hire companies got into difficulties because they underestimated maintenance and other costs and overestimated residual values. Big losses ensued at the eod of a three-year contract when vehicles turned out to be worth hundreds and in some

no

cases thousands of pounds less than expected. Contract hire companies such as these with a poor portfolio of customers - will find it hard to

attract a white knight.
Mr Norman Donkin, former managing director of Lease Plan UK who, as director of AT&T Capital, has a specific brief to develop a European leasing division for the American corporation, says: "We looked at a number of contract hire companies that were for sale. What we wanted were sound management, a good quality portfolio of customers

and good systems.
"Many of the companies for sale did not meet all these criteria. Even more did not meet our other requirement, which is that the company should be profitable.

"So what we did is to look at some companies that were not necessarily for sale and decided that instead of buying a large contract hire company

a medium-sized one with an infrastructure in place that could be huilt upon."

It was the combination of a

lack of profitability, losses on disposals and problems with gearing that contributed to tha decisions by a number of groups to try to dispose of their contract hire and leasing hnslnesses, says Mr Nick Brown, managing director of Trimoco Leasing and chairman of the British Vehicle Rental and Leasing Association's leasing committe But he also believes that the

recent shake-down in the industry may be coming to an end. After a period of consolidation, the companies that remain are mostly trading profitably because at the beginning of the recession they recognised the problems that were coming and so adjusted their rental rates upwards and their residual value projections downwards. Those that have survived the last three years vill probably grow as the mar-

Most of the current rash of takeovers and acquisitions are due to some smaller companies getting into difficulties over residuals and costs, according to Mr Ron Elder, managing director of Avis Lease and Fleet Management, who says that there will still be room in the marketplace for the niche

Some companies certainly

did misread the market and are now looking for someone to bail them out. And while it is true that some of these smaller oompanies - especially the non-specialist firms which took on contract hire as an add-on to their core husiness during the boom period - may now want out, there will always be a demand for a smaller company offering a local service and a higher level of personal

"But I believe we will not see the same number of start-ups and new entrants to the hustness once residual values improves and leasing looks a good bet again. A lesson has been learnt the hard way that contract hire is a specialist husiness requiring specialist skills to survive the down periods as well as thrive during the good times."

attention to their customers.

Avis Lease and Fleet Management itself has a new par-ent company since last year when General Electric of the US acquired the husiness. And the recent period of consolidations and mergers is not wholly over yet, predicts Mr

"We have a parent with the capacity to grow the business. So when opportunities come along, nothing will stop us going after them - we have

Too few desirable models

THE growing number of canny husiness motorists who hay their cars "nearly naw" instead of straight from the showroom - and save thousands on early-months depreciation - are in for a shock this year. The cars they seek are likely to be in far shorter supply than they have been for years, and what stocks there are will be picked over hy hard-pressed car dealers before the end-users get a look

At the other end of the scale. the used car market is becoming increasingly clogged with high mileage three and fouryear-old business cars, which recession-hit husinesses kept for too long in extended leasing deals. These models, often with more than 100,000 miles "on the clock" are proving unattractive to private buyers who, in better times, would be their natural second owners.

Worst of all, because private buyers of new cars have been in full retreat for three years, the flow of trade-ins to dealers they provide - the best used car stock of all - has dwindled alarmingly.

It all adds up to crisis in the used car husiness. In a nutshell, the potential hnyers can't get enough of the cars they want, and the cars most readily available are largely unwanted. "This complex comhination of factors, plus the fact that everyone is short of Martin Derrick | money, looks like making

things things very tough in used car retailing as the year goes on," says Mr David Raeside, editor of the trade news-paper, Motor Trader, "There will be some good cars about very early in the year, but

quite soon they're going to be much harder to find." The root of the crisis is the rise of a British "nearly new" car culture in the second half of the 1980s, following a similar US trend. Volume car sellers such as Ford. Vapxhall

Rover and Peugeot, desperate

to increase market share and

keep their factories at capac-

to hig daily rental companies.

sometimes at a net profit, and

At the height of the busi-

ness, about 18 months ago,

some hire companies were

keeping their cars for as little

as three or four months and

3,000 miles before replacing

them. Commonly, a Ford

Flesta, bought for £8,500, might go through the auctions

at six months and with just

5-10,000 miles on the clock, at

not much more than £5,000.

Bigger cars showed even larger percentage price falls.

ordering more new models.

ity, began selling lots of cars

past five or six years, of seli-ing cars to big customers at far less than to their own franchised networks - which have

to operate from premises which are often plush and expensive. Dealers have been operating on margins of 18 to 20 per cent and coming under strong customer demand to provide discounts up to 15 per cent.

have been np in arms at the

companies' practice, over the

siastic dealer in nearly new exhire cars for the past few years, seeing them as a way of providing economical cars to private bnyers for whom showroom cars have become too expansive. Ha notes a new firmness in the way car makers are resolving to curb the sale of ultra-cheap cars to fleets, "They all say there will he fewer of these sales this year," he reports, "and they

Reg Vardy, has been an enthu-

ACQUISITION METHOD		(figures in percentages)				
Size of fleet	[Totals]	6-9	10-19	20-49	50-99	100+
Straightforward purchase	43	46	31	33	43	46
Purchase with trade-in	3	14	1 11	9	_	1
Hire purchase	3	20	10	5	7	1
Contract hire	45	17	40	43	46	46
"Open-ended" or "finance leasing"	5	3	3	9	4	4

plenty of investment funds available for the right acquisi-

UK gloom as Leyland Daf collapses

Steep descent

Motor THE UK car and commercial rehicle markets have begun to show tentative signs of recovery from the depth of recession, but the recent improve-Industry ment in registrations remains

Executive Cars 28 April, 1993

Surveys

Financial

proposes to publish the

following

Times

Second Cars 3 July, 1993

The Car Industry 9 September, 1993

Commercial Vehicle Industry 1 December, 1993

For further information please contact Richard Willis on 071-873 3606

FT SURVEYS

UK new car sales rose yearunclear how much of the Leyland Daf operations can be sal-

on-year by 7 per cent in January, while registrations of new commercial vehicles rose by 4.4 per cent, in both cases the fourth consecutive month in which registrations had been higher than in the corresponding period a year earlier. The collapse into receiver-

ship this month of Daf, the aguered Anglo-Dutch truck maker which is also the clear UK truck market leader, has served as a grim reminder, however, of the strength of the

ecessionary pressures. Tens of thousands of jobs have been lost in the motor industry in Britain in the past three years, reflecting tha steep drop in demand for new vehicles. From peak sales of 2.3m in 1989 new car sales in the UK have plunged by 31 per cent to only 1.59m in both 1991

During the same period sales of new commercial vahicles dropped by 45.8 per cent from 371,104 in 1989 to only 201,186 in 1992, while sales of trucks, the sector worst affected by recession, have more than halved with a 54.6 per cent decline to only 31,398 in 1992

from 69,234 in 1989. Established vehicle makers in the UK have been forced to reduce drastically their capacity and implement severe cuts in their workforces. Last year AWD, the small

privately-owned truck maker that had been formed from the rump of the loss-making Bedford truck operations in the second half of the 1980s, went into receivership. Renault Véhicules Industriels, the French commercial vehicle maker, has decided to cease truck assembly at its plant at Dunetable, while UK operations of Leyland Daf, the leading British truck maker,

are in the balance. The Daf parent company filed for protection from lts creditors earlier this month. while Leyland Daf, its UK sub-

sidiary, has collapsed into administrative receivership. Already the receivers have made redundant 30 per cent of Leyland Daf's 5,500-strong workforce. More joh cnts appear inevitable and it is

vaged.
In the car industry Rover, Jaguar, Rolls-Royce Motor Cars and Ford of Britain have all been operating with substan-

The Jaguar UK workforce has been sharply reduced to only 6,481 at the end of 1992 from 7,520 a year earlier and 11,661 at the end of 1990. Ford of Europe is currently cutting another 10,000 johs

Suppliers are taking increasingly desperate steps to raise sales

across Europe, with the UK hearing a significant part of the contraction. Ford's UK workforce had already fallen from a peak of 80,000 in early 1980 to only 33,000 by the end

In the motor dealer sector the Retail Motor Industry Federation said last month that a further 7 to 8 per cent of the UK's remaining 7,000 franchised motor dealers would close or be sold off this year. Last year 8 per cent closed or were sold off following 10 per cent in 1991.

As the recession deepened vehicle makers have heen forced to undertake increasingly desperate measures to try to stimulate sales with an array of financial incentives and deep discounting, hut often the actions have only served to increase losses.

As retail sales continued to fall last year, it was the fleet sector of the UK car market that sustained sales, and meant that the market finally remained unchanged from 1991 at 1.59m. The share of sales to fleets (defined as operators of 25 vehicles and above) accounted for 41.8 per cent of the UK new car market last year compared with 39.2 per

cent a year earlier.

how well the recovery in demand in recent months can

he maintained. Mr Ian McAllister, chairman of Ford of Britain, said that the January seles figures suggested that "a sustained recovery" in the market could ell be under way.

The growth in sales in Jami-

ary - in contrast to previous months - was entirely due to a higher lavel of purchases by rivate customers rather than hy company fleets, he said. Professor Garel Rhys, profes-

sor of motor industry economics at Cardiff Business School, cautions against optimism based on the January sales figures, however.

"Last month's car figures were in fact dreadful", he says. "The previous January was very poor, being 11.7 per cent down on the 1990 figure. But since then the 10 per cent special car tax has been abolished. That should should have lifted last month's market hy 12 per cent on its own.

"The extent to which the market is up shows the reces sion is still there and that peonle remain very cautious about huying," he said. Sales of Japanese makes in

January were 32.9 per cent higher than a year ago, which boosted their share to 11.2 per cent from 9.0 per cent a year Sales of Japanese cars will be boosted this year by grow-

ing output from the new Toyota and Honda plants in the UK which opened late last The first cars from Toyota's

2700m plant at Burnaston near Derby were registered in January, and the pattern of the supof Japanese cars to the UK is becoming increasingly com-

Both Toyota and Honda are now shipping cars to the UK from their plants in the US, while Nissan and Suzuki also supply some vehicles to the UK from plants in Spain. Nissan, Toyota and Honda all have car assembly and engine plants in

Kevin Done

Last year, when rental companies, notably Hertz, began retailing their own ex-hire cars directly to the public, dealers hit the roof. Typical of their reactions is this from Mr

As the recession has grown in severity the selling - at Terry Dignan, chairman of the Wolverton Motor Company, who called the move "a double discounts reputed to he as high as 40 per cent - has become more and more of a whammy on the motor trade" lifeline for the car companies. and claimed it showed car For some, discounted sales to companies had lost control of their own franchising system."
"The recession has hit our fleets and rental outfits have been accounting for as much as a third of total volume. husiness," says one West Laughing all the way to the Country sales director, "hnt a bank, the rental companies lot of our regular customers, who might have bought anyhave been selling at anction,

> lose so much money so quickly on their new cars." There is little doubt that the car firms would like to curb the practice of selling hugely discounted cars to hire fleets; both Mr Ian McAllister of Ford and Mr Peter Batchelor of Vsuxhall have said so. But the company that stops first risks losing market share, and history seems to indicate that

gentlemen's agreements do not work in cases like this. Mr Peter Vardy, chairman of

way, have become reluctant to

sound as if they mean it. But then again, they all said it last

According to Mr Vardy, the availability of nearly-new cars puts alert dealers at no disadvantage: it presents them with a source of good cars they can sell a lot cheaper than new, while making a healthier profit per unit than the £200-£400 they take on, say, a new small Ford after discount. "As long as the cars go through the auctions, we'll be standing there to huy them," he says.

He is sure, however, that the market needs an end to the two-tier sales system, which will lead to a firming of residual values, to get completely back into its stride - December showroom sales surge not-withstanding. "New cars for private people have becoma have been seiling so cheaply to hire fleets," be declares. "When that ends we'll get buyer confidence back, and the world will turn a lot more sweetly."

Steve Cropley

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But the rising cost of insurance is prompting many motor fleet managers to buy less insurance and look to other ways of reducing risks.

The cost of insurance - a £1m-plus item for many of the biggest fleets - is leading to boardroom interest in risk prevention.

"You were in a situation where premiums were simply chasing claims upwards. It was an expensive funding exercise," says Mr David Ney, risk management director at Willis Corroon in London, who says buying insurance for its motor fleet is one of the biggest "insurance spends" for many

While competition among insurers drove premium rates down in the late 1980s, tha increased frequency of accidents and escalating court awards to accident victims pushed up the cost of claims.

Drivers of company cars are - on average - roughly twice as likely to have accidents as other drivers.

Accident frequency rates - which measure the number of accidents as a percentage of insured drivers each year - paying much steeper increases.

Richard Lapper on how customers are reacting to higher insurance rates

Risks must fall as costs rise

average between 50 and 70 per cent, compared with a rate of between 20 and 25 per cent for private motorists.

Some motor fleets have accident frequency rates as high as 120 per cent, says Mr Ney, who is critical of many company car drivers.

"It is really about attitude awareness. Everyone thinks it is someone else's problem," says Mr Ney.

In line with general trends in the motor insurance market, theft rates have also increased sharply in recent years. Motor fleet premiums are much higher

than those for private cars because policyholders do not obtain the benefit of no claims bonus and hecause cover is more comprehensive.

The recent deterioration in losses pushed up rates by an average of about 25 per cent in 1992, after more modest rises In 1990 and 1991. Fleets with particular poor safety records have found themselves

Standard excesses - the part of any claim paid by the policyholder - have increased. Two years ago insurers would have charged excesses of £100 for each accidental damage claim. That amount is now typically £250, and is charged against claims for fire and theft, as well as accidental damage, says Mr Fred

lower premiums or simply buy less cover - fire, third party and theft, for example - for the same premiums

Mr Whitworth says that 17 per cent of Eagle Star policyholders renewing in 1992 "traded down" in this way.

At the same time, insurers have become

Many policyholders are prepared to retain a substantial tranche of risks on their own books in exchange for lower premiums or simply buy less cover for the same premiums

Eagle Star. Cover for damage to windscreens is frequently excluded

Insurers are also more likely to introduce restrictions, refusing to pay for the loss of personal effects or stipulating that replacements for stolen stereos must be the manufacturer's model.

In addition, many policyholders are prepared to retain a substantial tranche of

Whitworth, commercial motor manager at much keener to press policyholders to manage risks in order to reduce claims. Because premium rates reflect claims experience over a three-year period, action taken by policyholders to reduce accidents

will eventually results In lower claims. According to Mr Chris Palmer, motor underwriting manager with Zurich Insurance, "the strategy is to move the debate away from price, towards better

service standards to perauade policyholders to take a long-term view". Increasingly, insurers are pressing motor fleet managers to administer their fleets more tightly, inspecting driving licences more frequently and monitoring the condition of cars more regularly, in order to weed ont potential problems.

Most fleets are now restricting the number of family members who can drive a company car, in order to reduce the access of younger drivers, typically teenage sons and daughters, who are more

prone to have accidents. • Insurers are also beginning to press policyholdera to select particular kinds of vehicles, especially those which are less prone to theft. Several fleets have stopped buying hot hatches, for example replacing GTI Volkswagens and Astra GTEs with Vanxhall Cavaliers.

• Insurers are also supplying better quality data to policyholders, making it easier for fleet managers to identify particularly poor or accident prone drivers. "You've got to supply ammunition to help the statistical departments," says Mr Palmer.

According to Mr David Voss, managing director of Velo, which provides a insur-ance management service for motor fleets. good information can allow fleet managers to pinpoint which regions and drivers are contributing most to insurance rosts and enable them to vary charging within the organisations accordingly. "Suddenly the local manager, with one cye on his profitrelated bonus, may take a different tone with his errant drivers," says Mr Vois. Although no insurer offers reduced pre-

miums in return for the adoption of risk management measures, one company, Perth-based General Accident is prepared to subsidise the cost of driver improve-ment programmes for policyholders. GA pays £40 of the £75-a day fee charged by driving instructors for what it calls a

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"defensive drlving" course. Instructors must be on GA's own approved list. Opinions about the value of the scheme

vary. Mr Ney is convinced of its valoe. The problem is frequently the 40-year olds who work 16-hour days under great stress. You have to knock away the common perceptions. Driver training is a very good way of targeting the issue."

COMMUNICATIONS TECHNOLOGY

Fewer headaches

mobile telephone bas estabbusiness tool and a worthy addition to the company car. But over the next few years vehicle fleet managers will face the choice between a baffling array of new voice and data telecommunications services and equipment.

in Europe, liberalisation has fuelled the growth of mobile communications. Since the introduction of cellular radio services in Britain in 1985, the number of subscribers to the two national networks, Cellnet and Vodafone, has grown to around 1.4m - or almost a quarter of the total 5.8m users

in Europe. Most of these subscribers are business users, and an increasing proportion of them now use hand-portable telephones, most of which can be used In company cars with the addition of a car adapter kit.

Standard carphones and car adapter kits now come with "hands-free" operation and top of the range carphones also include voice-activated dialing. allowing totally hands-free use. After the boom in new sub-cribers in the UK in the late

1980s, the last few years have seen slower growth. Plans for telepoint services have been curtailed while other services have so far failed to live up to

Nevertheless, the mobile communications market, in the UK and elsewhere in Europe, is still a fast-moving market with a new services just around the corner. In particular, across Europe digital cellular systems hased on the pan-European GSM standard are currently

being launched. These premium-priced services are unlikely to replace the older analogus networks immediately. Indeed, it will be some time before full national networks are in place. However, for the business traveller

in particular, they will eventually offer some key advantages. Digital services will provide clearer, more reliable connections, which will also be moch more secure from eavesdropping. In addition hy the mid-1990s, because it is a Europewide standard, international travellers will be able to use their GSM phones anywhere in

In the UK both network operators have introduced new lowuser tariff structures for their analogue services in the past

GSM systems may soon provide a worldwide standard in mobile data

six months and Hutchison Telecom has unveiled a one-way Telepoint service called Rabbit. In addition, customers will soon be able to opt for Mercury Personal Communications' local digital Personal Communications Network (PCN) service, due to be launched by the middle of this

year alongside Vodafone's rival Micro Cell Network (MCN). Already some vehicle fleet are inheriting a hazard collection of equipment, service contracts and billing systems built up over the years. Indeed, research shows that many corporate users do not know how many mobile

phones they have, or how they are being used. To address this problem. Mercury Communications Mobile Services, an independent service provider, now offers corporate customers a "free audit of mobile equipment" and then a "consolida-tion service." MCMS has come across some customers with more than 300 vehicles using 20 or more different service providers. "We can take the

headache away," says Mr Martin Bartholomew of MCMS. Managing a consolidated way can have other benefits, such as providing a single point of contact for the customer, itemised billing and

monitored usage. Aside from the basic cellular mobile services, many corporate customers have also signed up for the value-added services offered by network operators, such as Vodata's Recall voice messaging service or Cellnet's direct access service which provides a link between an office switchboard and the cellular network.

However, some large customers, including local government and utilities, have discovered that public access mobile radio, launched in the UK in 1988, can sometimes offer significant cost advantages over cellular. Customers share a radio infrastructure built and maintained by a network operator. Once they have bought or leased their handsets there is a subscription charge only; they do not pay any call charges.

Mobile data and fax transmission is another area where customer confusion is rife. There are mobile data services offered by the cellular operawork operators, and data over private mobile radio networks.

Transmitting data over an analogue cellular system is far more difficult than over the "fixed wire" public telephone system.

One way to overcome the problem is to use a special celiular modem like the one available from Vodafone's mobile data service which claims several thousand users and 90 per cent of the UK market. This enables customers to transmit and receive error-free data over the cellular network which provides any standards conversion automatically.

The alternative is to use one of the dedicated mobile data services which were licensed in the UK in 1989. Hutchison

Mohile Data and Ram Mobile Data Services both provide these, as does Paknet, another

Vodafone subsidiary.
But an obvious disadvantage of dedicated mobile data services, including paging services, is that they can only handle data, and according to research, most corporate customers require both mobile voice and data.

Another problem facing mobile data customers is the lack of a worldwide standard. But this may soon be overcome in Europe with the digital GSM standard. These systems will be able handle mobile data traffic from facsimile machines or portable computers in vehicles at high speed and with comparative ease,

GSM telephones equipped with small LCD screens will also be able to receive messages - like pagers - hringing the long promised digital mobile office one step closer to reality.

Mobile telecommunications can also be used to cut the costs of distribution while improving customer service. vehicle security and monitor-

Satellites are also likely to play a significant role in the future of corporate mobile communications, min the UK, Marconi introduced Star-Track last year to trace the position of vehicles. It can be used to detect and track stolen load or direct drivers to their destination.

Paul Taylor | fleet life of a vehicle without

Impact of environmental legislation

Curbs on noisy trucks

MOTOR VEHICLES have been the focus for environmental legislation since the early 1970s. But the most significant single event in the process was the coming into force at the start of this year of European Commission exhaust emission regulations which in effect make catalytic converters obligatory on petrol-engined passenger cars (and car-derived light commercial vehicles).

The fitting of a converter implies the use of a fuel injection system rather than a carburettor, and of unleaded fuel. For larger, purpose-designed. petrol-engined commercial vehicles such as the Ford Transit, the situation is still under review, though it is likely that these, too, will be

subject to tighter emission controls before long. These developments appear not to have forced up car prices as much as might have been expected, and there may be some unanticipated benefits from the fleet manager's point of view. Since the car mannfacturer has to demonstrate compliance up to 50,000 miles. not only when the vehicle is include catalytic converters are engineered to a higher standard and should last the

needing any kind of repair or replacement. Fuel injection systems, invariably now elec-tronically controlled, maintain their accuracy of operation much better than carburettors and should need less attention though when that is

required, it may be expensive. It remains to be seen what will be the effect of EC emission limits now being drawn np on heavy vehicles, which are almost without exception diesel-engined. Indeed, the whole question of limits on diesel-powered vehicles, and even on passenger cars, is less clear than for those with petrol engines.

Diesel engines are inherently clean in most respects hnt anxiety remains over par-ticulate emissions and the limits which may be imposed on them. Current EC proposals fall weil short of the drastic limits imposed in California, bnt any fnture Enropean move, such as requiring vehicle exhaust systems to be fitted with particulate traps, coold lead to significant increases In cost.

Apart from direct exhaust emission regulations, there tion to reduce carbon dioxide emissions by encouraging better fuel economy. In the US the approach has been to

electronic data Interchange.

There can be economies of scale. But while a company

such as BRS can provide a cra-

dle-to-grave service in terms of

repairing a car and keeping it on the road, there are certain sorts of information a contract

Most packages deal with pro-cesses relating to a particular vehicle: few, if any, keep track

of individual users of the car.

But In-house systems might also need to link with person-

nel, accounting and insurance

The way round this ts an In-house "extra", either a data-

base or a bought-in package, of which only a limited number of modules are actually used.

Mr Theophanus says the mar-

ket for large-scale packages is shrinking, becoming limited to

the lease management compa-

nies as in-house managers turn

to ontsourcing. In-house, peo-

ple are relying on do-it yourself efforts to provide extra infor-

mation, usually with a small

general-purpose database or

One manager, for example

keeps track of fleet cars due for

their MOTs with a screen he

built within Lotus 1-2-3, a

spreadsheet software tooi he

knows well. But, he admits, it's

a clumsy solution of limited

value and demands a lot of

manual intervention. He also

uses part of a cheap package,

the Company Car Administra-

tion Kit from Emmerson Hill of

Fareham which, at less than

£50, provides form letters for

maintenance management. A proper database would

supplier cannot provide.

applications.

other software.

impose corporate average fleet economy regulations with pen-aities (for both manufacturer and huyer) for non-compliance. EC discussions have thus far leaned more towards the "carbon tax" concept. Either approach would encourage fleet operators, especially of passenger cars, to move downmarket to smaller, lighter and

more economical models. With the advent of the single market, many new checks have been added to the schedule of the annual vehicle

Either approach would encourage fleet operators to move downmarket

inspection - the "MoT test". These new checks, especially on exhaust emissions, are likely to cause many more elderly and high-mileage vehicles to fail the test, but they will have little impact on the fleet market because the tests will (as always) only be required when the vehicle is

more than three years old. One effect may be to set an even more decisive limit to the ngth of time for which fleets are prepared to operate vehicles; the effect on aftersales values of vehicles being sold out of fleets is harder to predict, though a higher test failura rate could increase demand for well-maintained

and relatively young cars.

A less widely appreciated

aspect of environmental legislation is that concerned with vehicle noise. The setting of limits in this area is complex, since the test conditions as well as the actual maximum noise level have to be carefully specified. The current EC limit for cars is 77dB(A) but significantly stricter limits already axist in some countries . notably Switzerland, which specifies 74dB(A), in other words half the EC level. As a result, there has been a need to redesign exhaust systems. However, the severest effect of anti-noise legislation In the EC is likely to be on heavy

goods vehicles. These have Another Powerful Strategic Management tool

always produced much more noise than cars, but until recently their commercial importance, relatively small numbers and above all, the engineering difficulty and cost of achieving lower noise levels have argued against the impo-sition of severe limitations.

That situation now seems likely to change, with the authorities requiring far lower truck noise levels, regardless of technical difficulty and cost. Likely techniques include the de-rating of engines to reduce peak combustion pressure levels, and the "encasement" of power units within noise-insulators. If the limits are severe, noise-reducing measures in transmission and tyre design could also be required. Both first and operating costs may be notably increased in coase

There has been far less legislation concerning the more recently fashionable aspects of vehicle design, including the elimination of harmful materials and the need for easier and more complete recycling at the end of economic life. To a large extent, moves by the vehicle manufacturers have ontrun the pace of potential legislation. Thus the latest rehicles have already completely or largely eliminated asbestos from brake and clutch linings, cadmiam from protective finishes, mercury from certain electrical components, and of course CFCs from air-conditioning systems These changes have been made at small cost to the consumer and often with the bonus of

improved system performance. Vehicle design for recycling

is now being closely studied In engineering departments worldwide. The signs are that as with emission limits, some nnlooked-for henefits may emerge for the fleet operator. Damage repair costs may be lower if body design takes ease of ultimate disassembly into account. Component costs themselves could be lower if, as seems likely, this design approach forces a switch to simpler panels and smoother shapes. The main counter-effect of such moves (and one which the vehicle manufacturars are trying very hard to overcome) is that cars may lose some of their viaual Jeff Daniels



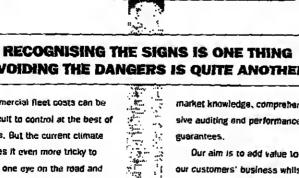
AVOIDING THE DANGERS IS QUITE ANOTHER

Commercial fleet costs can be difficult to control at the best of makes it even more tricky to

head. If you're not interested in that, you're not reading the signs.









Vehicle Management

Automating the hassle what information is, or might "pick and pay" approach to the IN A company where cars are a mere perk, the time and energy be, available is a must. levels of service available. The database is a good spent on them is hidden In Users can have monthly paperoverheads. But when the number of cars rises to 150 or so, starting point. General-purpose based reports, or linked termidatabases such as informix. nais at the user-company. a managing a fleet hecomes a Oracle and Ingres have regular download of database information, or even EDI -

DATABASES

full-time job for somebody. This rule of thumb comes from an administration manager who corrently runs 73 cars, among a staff of 120 or so. His main problem is to have enough detailed information not only to keep track of maintenance, but to avoid ruffling feathers in the dovecot wheo new cars are assigned out of pecking order. A database of some sort should be the ideal answer, but it is hardly worth it for what is, at present, only part of his job.

The 150 mark may also be the one at which a company considers "outsourcing" the joh and giving it to experts whose accumulated wisdom might prove more cost-effective in the long run. There comes a point where a computerised system is worthwhile, through a contractor, in-house, or even using a combination of both. Unfortunately, fleet management suffers from the same conundrum as any other application of information technology. One can know what is needed only when a system is installed, up and running. By then, it is often too late to change it or add in the extra "if only" dimension that would make all the difference.

Learning how to use the system, and having reliable support for it, are themselves hidden overheads. The purchase of any solution is an investment, the beginning of a long-term relationship, so the financial security of the supplier is as important as the functions of the system itself. Of an estimated 250 different

packages on the markst, none does exactly the same job. The starting point has to be an analysis of who needs what information. "Need" is not the same as "want", but it is often the extras that prove valuable. so flexibility is important. Make a system too complex. and no-one will ever want to use it. Hide nuggets of valuable information in a two-inch thick report, and they will go into the hin with the dross.

system - simply telling people

spawned specialist packages through value-added resellers,

auch as Oracle'e Ocella. Generally, because of the database foundation, such packages are easily tailored and customised. So-called "fourth generation languages". 4GLs, take a similar approach, and products using these software tools should be more tolerant of Individual nsers' quirks. The Progress language, for example, has been used to create NCR's Profiect, developed by Kalamazoo,

One knows what is needed only when it is too late to change if

and Towquest Pro-Lease. According to Mr Dinos Theophanus, a management consultant specialising in transportstion at CMG, the very words "fleet management" are open to misuse. "Of the 250 or so packages, lew have more than 10 installations." Even fewer manage the full range of functions. This makes it difficult for people trying to choose a on, especially as changing financial circumstances might put different requirements to the fore.

"The recession has done two things. Companies have less to invest so they are hiring rather than buying, and it has increased competition, which has resulted in the cost of services coming down. It's a buyer's market, and people are looking for better choice, fancier facilities and value for

Often, those who contract out fleet management get IT services thrown in as part of the deal. "When you outsource, you get rid of the hassle, and part of that is the FT. Also, with an outsourced service you can police and control the supplier. A transport manager must define the service and know the requirements: some things may be luxuries, others necessities, and the budget will In house promotion of the go only so far," he says.

bring up an automatic warn-ing allowing him to keep track of individual car history. Explanations of how high mile age is incurred would be valuable for decisions on replacements and on resale values. Another manager's comment sums up why the flexibility of database software is essential. Once the information is there, you think of all sorts of other ways it might prove useful."

Claire Gooding

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